

HOUSE BILL 1179  
EMERGENCY BILL

Unofficial Copy  
C3

2003 Regular Session  
(31r2361)

**ENROLLED BILL**  
-- Health and Government Operations/Finance --

Introduced by Delegates Pendergrass and Mitchell, Mitchell, Hurson, Bromwell, Donoghue, Goldwater, Hammen, Hubbard, Mandel, McDonough, Morhaim, Murray, Nathan-Pulliam, Rosenberg, Weldon, Barkley, Barve, Bobo, Bronrott, Cadden, Cane, G. Clagett, V. Clagett, Conroy, DeBoy, Doory, Dumais, Elmore, Feldman, Frush, Glassman, Gutierrez, Holmes, Impallaria, Jones, Kach, Kaiser, Lee, Love, Madaleno, Malone, Marriott, McHale, Menes, Moe, Montgomery, Niemann, Owings, Parrott, Petzold, Stern, F. Turner, Vaughn, Eckardt, Benson, and Smigiel Smigiel, and Walkup

Read and Examined by Proofreaders:

\_\_\_\_\_  
Proofreader.

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Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this \_\_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_ o'clock, \_\_\_\_\_ M.

\_\_\_\_\_  
Speaker.

CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Health Insurance - Nonprofit Health Service Plans - Reform**

3 FOR the purpose of altering certain provisions relating to the regulation of nonprofit  
4 health service plans; specifying the purpose of certain provisions of law;  
5 specifying that certain nonprofit health service plans are exempt from certain  
6 taxes; establishing the mission of nonprofit health service plans; requiring a  
7 nonprofit health service plan to develop certain goals, objectives, and strategies;  
8 requiring a nonprofit health service plan to report quarterly to a certain  
9 oversight committee and provide certain information to the oversight committee

1 for a certain purpose; ~~establishing the scope of certain provisions of law~~  
2 ~~governing nonprofit health service plans; exempting certain nonprofit health~~  
3 ~~service plans from certain public service requirements; specifying the manner in~~  
4 ~~which certain nonprofit health service plans can satisfy certain requirements;~~  
5 ~~requiring certain nonprofit health service plans to perform certain functions;~~  
6 ~~requiring the Insurance Commissioner to deny inspection of a certain part of a~~  
7 ~~certain report under certain circumstances; repealing a requirement that the~~  
8 ~~Insurance Commissioner follow certain procedures after making a certain~~  
9 ~~determination; requiring the Insurance Commissioner to issue an order to~~  
10 ~~require that a nonprofit health service plan pay a certain premium tax for a~~  
11 ~~certain period of time under certain circumstances; specifying the use of certain~~  
12 ~~premium tax revenue collected by the Maryland Insurance Administration;~~  
13 ~~specifying information that certain applicants for a certificate of authority must~~  
14 ~~submit; specifying certain criteria that the Insurance Commissioner shall~~  
15 ~~consider when issuing a certain certificate of authority; prohibiting authorizing~~  
16 ~~the Insurance Commissioner from renewing to disapprove renewal of a certain~~  
17 ~~certificate of authority except under certain circumstances; specifying certain~~  
18 ~~activities in which a certain corporation may engage; specifying that certain~~  
19 ~~members of a certain board of directors are fiduciaries on behalf of a certain~~  
20 ~~corporation; specifying the manner in which certain board members shall act;~~  
21 ~~specifying the principal functions of a certain board; specifying the number and~~  
22 ~~composition of members on a certain board; specifying the manner in which~~  
23 ~~certain board members shall be chosen providing that a certain board is~~  
24 ~~self-perpetuating; requiring a certain board to establish certain committees;~~  
25 ~~prohibiting certain board members from chairing a committee after a certain~~  
26 ~~date; requiring board approval for certain actions; requiring a certain board to~~  
27 ~~take and retain certain minutes; altering the term of certain board members~~  
28 ~~beginning on a certain date; altering the maximum term of certain board~~  
29 ~~members; specifying that the the amount of compensation of certain directors~~  
30 ~~and officers shall meet a certain requirement; altering the maximum~~  
31 ~~representation of certain individuals on a certain board; ; altering the definition~~  
32 ~~of an "unsound or unsafe business practice"; requiring the Attorney General to~~  
33 ~~notify the Insurance Commissioner that a nonprofit health service plan is~~  
34 ~~engaging in a certain business practice under certain circumstances;~~  
35 ~~authorizing the Attorney General to undertake a certain investigation and~~  
36 ~~initiate a certain action under certain circumstances; prohibiting the Insurance~~  
37 ~~Commissioner from making certain approvals unless the Insurance~~  
38 ~~Commissioner determines approval is in the public interest; limiting the~~  
39 ~~compensation that certain individuals may approve or receive from the assets of~~  
40 ~~a certain corporation; requiring a certain board to develop certain guidelines;~~  
41 ~~submit the guidelines to the Insurance Commissioner for approval, provide a~~  
42 ~~copy of the guidelines to certain individuals, and adhere to the guidelines in~~  
43 ~~compensating certain individuals; requiring the Insurance Commissioner to~~  
44 ~~review certain compensation and issue a certain order prohibiting payment of~~  
45 ~~certain compensation under certain circumstances; providing that the approval~~  
46 ~~or receipt of certain remuneration is a violation of a certain provision of law and~~  
47 ~~is an unsound or unsafe business practice; increasing the maximum civil penalty~~  
48 ~~for violations of certain provisions of law by certain officers, directors, and~~

1 employees; establishing a Joint BlueCross and BlueShield Oversight  
2 Committee; specifying the number and composition of the Committee; providing  
3 for the appointment of co-chairmen of and staff assistance for the Committee;  
4 requiring the Committee to undertake a certain examination and evaluation to  
5 meet certain goals; requiring the Committee to submit a certain annual report  
6 in a certain manner and on or before certain dates; providing for the termination  
7 of the terms of certain board members and for replacement of those members;  
8 requiring a certain board to develop a plan to stagger the terms of certain board  
9 members in a certain manner; prohibiting the acquisition of a certain nonprofit  
10 health service plan within a certain period of time; providing for the application  
11 of certain provisions of law to certain compensation agreements; prohibiting a  
12 member of the board of directors of a certain corporation from serving on the  
13 board after removal from the board; stating the intent of the General Assembly  
14 to encourage a certain nonprofit health service plan to participate in certain  
15 public programs; requiring a certain nonprofit health service plan to work with  
16 certain persons, conduct a certain study, and report to certain committees of the  
17 General Assembly on or before a certain date; providing for the termination of  
18 certain provisions of this Act; altering certain provisions of law relating to the  
19 regulation of nonprofit health service plans; specifying the purpose of certain  
20 provisions of law; providing that certain nonprofit health service plans are  
21 exempt from certain taxes; establishing the mission of certain nonprofit health  
22 service plans; requiring a certain nonprofit health service plan to develop certain  
23 goals, objectives, and strategies; requiring a nonprofit health service plan to  
24 report quarterly to a certain oversight committee and provide certain information  
25 to the oversight committee for a certain purpose; requiring the Insurance  
26 Commissioner to submit a certain report to the Governor and certain committees  
27 of the General Assembly on or before a certain date and annually thereafter;  
28 establishing the scope of certain provisions of law governing nonprofit health  
29 service plans; exempting certain nonprofit health service plans from certain  
30 requirements; specifying the manner in which certain nonprofit health service  
31 plans can satisfy certain requirements; requiring certain nonprofit health service  
32 plans to perform certain functions; requiring the Insurance Commissioner to  
33 deny inspection of a certain part of a certain report under certain circumstances;  
34 repealing a requirement that the Insurance Commissioner follow certain  
35 procedures after making a certain determination; requiring the Insurance  
36 Commissioner to issue an order to require that a nonprofit health service plan  
37 pay a certain premium tax for a certain period of time under certain  
38 circumstances; requiring the Maryland Insurance Administration to deposit the  
39 premium tax revenue in a certain fund; specifying information that certain  
40 applicants for a certificate of authority must submit; specifying certain criteria  
41 that the Insurance Commissioner must consider when issuing a certain  
42 certificate of authority; authorizing the Insurance Commissioner to disapprove  
43 renewal of a certain certificate of authority under certain circumstances;  
44 providing that a certain certificate of authority authorizes a certain corporation  
45 to engage in certain activities; specifying that certain members of a certain board  
46 of directors are fiduciaries on behalf of a certain corporation; specifying the  
47 manner in which certain board members must act; specifying the principal  
48 functions of a certain board; establishing the composition of a certain board;

1 providing that a certain board is self-perpetuating; requiring a certain board to  
2 establish certain committees with certain duties; requiring board approval for  
3 certain actions; providing that a decision by a certain board to convert to a  
4 for-profit entity under certain provisions of law may be rejected by a certain  
5 number of members of the board; requiring a certain board to take and retain  
6 certain minutes; altering the term of certain board members beginning on a  
7 certain date; altering a certain qualification of a consumer member of a certain  
8 board; altering the maximum term of certain board members; prohibiting certain  
9 individuals from serving on a certain board; specifying the amount of  
10 compensation of certain board members; requiring certain corporations to report  
11 to the Insurance Commissioner on the amount of certain expenses paid to board  
12 members; altering the definition of an "unsound or unsafe business practice";  
13 requiring the Attorney General to notify the Insurance Commissioner that a  
14 nonprofit health service plan is engaging in a certain business practice under  
15 certain circumstances; authorizing the Attorney General to undertake a certain  
16 investigation and initiate a certain action under certain circumstances; requiring  
17 the Insurance Commissioner to make certain approvals unless the Insurance  
18 Commissioner determines approval is not in the public interest; limiting the  
19 compensation that certain individuals may approve or receive from the assets of  
20 a certain corporation; requiring a certain board committee to develop certain  
21 guidelines and requiring the board to submit the guidelines to the Insurance  
22 Commissioner for approval, provide a copy of the guidelines to certain  
23 individuals, and adhere to the guidelines in compensating certain individuals;  
24 requiring the Insurance Commissioner to review certain guidelines and  
25 compensation and issue a certain order prohibiting payment of certain  
26 compensation under certain circumstances; providing that the approval or  
27 receipt of certain remuneration is a violation of a certain provision of law and is  
28 an unsound or unsafe business practice; increasing the maximum civil penalty  
29 for violations of certain provisions of law by certain officers, directors, and  
30 employees; establishing a Joint Nonprofit Health Service Plan Oversight  
31 Committee; establishing the composition of the Committee; providing for the  
32 appointment of co-chairmen and for staff assistance for the Committee;  
33 requiring the Committee to undertake a certain examination and evaluation to  
34 meet certain goals; requiring the Committee to submit a certain annual report in  
35 a certain manner and on or before certain dates; specifying when a certain  
36 determination made by a certain regulating entity is effective; ratifying a certain  
37 determination by the Insurance Commissioner; providing for the termination of  
38 the terms of certain board members, the replacement of certain board members,  
39 and staggering of the terms of certain board members; prohibiting the acquisition  
40 of a certain nonprofit health service plan within a certain period of time;  
41 providing for the application of certain provisions of law to certain compensation  
42 agreements; prohibiting a member of the board of directors of a certain  
43 corporation from serving on the board after removal from the board; stating the  
44 intent of the General Assembly to encourage a certain nonprofit health service  
45 plan to participate in certain public programs; requiring a certain nonprofit  
46 health service plan to work with certain persons, conduct a certain study, and  
47 report to certain committees of the General Assembly on or before a certain date;  
48 requiring the Insurance Commissioner to make a certain determination

1 regarding whether conduct identified in a certain order issued by the Maryland  
2 Insurance Administration violates certain provisions of the Insurance Article;  
3 requiring the Insurance Commissioner to take certain action based on a certain  
4 determination; requiring the Insurance Commissioner to report on a certain  
5 determination on or before a certain date to certain persons; requiring the  
6 Insurance Commissioner to make certain recommendations and report on or  
7 before a certain date to certain persons; requiring the Office of the Attorney  
8 General to make a certain determination regarding whether conduct identified in  
9 a certain order issued by the Maryland Insurance Administration violates  
10 certain provisions of federal or State law; requiring the Office of the Attorney  
11 General to report to the General Assembly certain determinations and  
12 recommendations on or before a certain date; making the provisions of this Act  
13 severable; providing for the termination of certain provisions of this Act; making  
14 this Act an emergency measure; and generally relating to nonprofit health  
15 service plans.

16 BY repealing and reenacting, with amendments,  
17 Article - Insurance  
18 Section 14-102, 14-106, 14-107, 14-109 through 14-111, 14-115, 14-116(a),  
19 14-126(a), 14-133(c), 14-139, and 14-504(b)  
20 Annotated Code of Maryland  
21 (2002 Replacement Volume and 2002 Supplement)

22 BY repealing and reenacting, without amendments,  
23 Article - Insurance  
24 Section 14-116(b) and (c) and 14-504(a)  
25 Annotated Code of Maryland  
26 (2002 Replacement Volume and 2002 Supplement)

27 BY adding to  
28 Article - Insurance  
29 Section 14-116(f)  
30 Annotated Code of Maryland  
31 (2002 Replacement Volume and 2002 Supplement)

32 BY adding to  
33 Article - State Government  
34 Section 2-10A-08  
35 Annotated Code of Maryland  
36 (1999 Replacement Volume and 2002 Supplement)

37 BY repealing and reenacting, with amendments,  
38 Article - State Government  
39 Section 6.5-203(h)  
40 Annotated Code of Maryland

1 (1999 Replacement Volume and 2002 Supplement)

2 Preamble

3 WHEREAS, Maryland's Blue Cross Plan was created by statute in 1937 as a  
4 charitable and benevolent organization for the benefit and common good of the  
5 community as a whole; and

6 WHEREAS, Maryland's Blue Cross and Blue Shield Plans were consolidated  
7 into a single nonprofit corporation in 1985 to create Blue Cross and Blue Shield of  
8 Maryland, Inc.; and

9 WHEREAS, Blue Cross and Blue Shield of Maryland, Inc., merged with Group  
10 Hospitalization and Medical Services, Inc., in 1997, and CareFirst, Inc., was formed  
11 as a holding company; and

12 WHEREAS, In 2000, CareFirst, Inc., entered into an affiliation with BlueCross  
13 BlueShield Delaware; and

14 WHEREAS, CareFirst, Inc., is Maryland's Blue Cross Blue Shield Plan; and

15 WHEREAS, CareFirst, as a nonprofit corporation, is a community asset; and

16 WHEREAS, The mission of CareFirst is to provide affordable and accessible  
17 health insurance to Maryland citizens; and

18 WHEREAS, There is a national crisis of health insurance affordability and  
19 accessibility; and

20 WHEREAS, CareFirst is the State's largest health insurer; and

21 WHEREAS, CareFirst has enjoyed significant taxpayer and State-funded  
22 exemptions and subsidies to assist in its mission; and

23 WHEREAS, In recent years, CareFirst has exited from several segments of the  
24 Maryland health insurance market, including the withdrawal from the  
25 Medicare+Choice program and the withdrawal of its subsidiary HMOs, FreeState and  
26 Delmarva, from insurance markets in Maryland, resulting in over 6,000 individuals  
27 losing their health insurance; and

28 WHEREAS, Citing a need for increased access to capital, on January 11, 2002,  
29 CareFirst filed an application with the Maryland Insurance Commissioner to convert  
30 to a for-profit company and to be acquired by a California-based health insurer for  
31 \$1.3 billion; and

32 WHEREAS, In 2002, the profits of CareFirst rose 13% to \$104 million, its  
33 revenue was \$6.7 billion, and the number of its members increased to 3.24 million; and

1 WHEREAS, On March 5, 2003, after extensive review, the Maryland Insurance  
 2 Commissioner found that the proposed sale and conversion of CareFirst is not in the  
 3 public interest; and

4 WHEREAS, The Insurance Commissioner found that the management and  
 5 Board of Directors of CareFirst did not view their nonprofit mission as restraining or  
 6 guiding their business activities; and

7 WHEREAS, The Insurance Commissioner found that the management and  
 8 Board of Directors of CareFirst failed to seek and consider material information  
 9 relevant to the decision to convert; and

10 WHEREAS, The Insurance Commissioner found that the management of  
 11 CareFirst sought, and the Board of Directors approved, large bonuses and permanent  
 12 roles for current management in the combined company and these bonuses created  
 13 incentives that conflicted with the nonprofit mission of CareFirst; and

14 WHEREAS, The Insurance Commissioner found that the bidding process for the  
 15 sale of CareFirst was flawed and did not produce fair market value; and

16 WHEREAS, The Insurance Commissioner found that CareFirst matched or  
 17 exceeded other nonprofit and for-profit insurers on capital spending and that  
 18 CareFirst has adequate capital to fund its capital investment needs; now, therefore,

19 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
 20 MARYLAND, That the Laws of Maryland read as follows:

21 **~~Article – Insurance~~**

22 ~~14-102.~~

23 ~~(A) THE PURPOSE OF THIS SUBTITLE IS:~~

24 ~~(1) TO REGULATE THE FORMATION AND OPERATION OF NONPROFIT~~  
 25 ~~HEALTH SERVICE PLANS IN THE STATE; AND~~

26 ~~(2) TO PROMOTE THE FORMATION AND EXISTENCE OF NONPROFIT~~  
 27 ~~HEALTH SERVICE PLANS IN THE STATE THAT:~~

28 ~~(I) ARE COMMITTED TO A NONPROFIT CORPORATE STRUCTURE;~~

29 ~~(II) SEEK TO PROVIDE INDIVIDUALS, BUSINESSES, AND OTHER~~  
 30 ~~GROUPS WITH THE MOST AFFORDABLE AND ACCESSIBLE HEALTH INSURANCE~~  
 31 ~~POSSIBLE; AND~~

32 ~~(III) RECOGNIZE A RESPONSIBILITY TO CONTRIBUTE TO THE~~  
 33 ~~IMPROVEMENT OF THE OVERALL HEALTH STATUS OF MARYLAND RESIDENTS.~~

1       (B)     A NONPROFIT HEALTH SERVICE PLAN THAT COMPLIES WITH THE  
2 PROVISIONS OF THIS SUBTITLE IS DECLARED TO BE A PUBLIC BENEFIT  
3 CORPORATION THAT IS EXEMPT FROM TAXATION AS PROVIDED BY LAW.

4       (C)     THE MISSION OF A NONPROFIT HEALTH SERVICE PLAN SHALL BE TO:

5           (1)     PROVIDE HEALTH INSURANCE AT AFFORDABLE PRICES THROUGH  
6 EMPLOYER AND OTHER GROUP AND INDIVIDUAL PRODUCTS;

7           (1)     ~~PROVIDE AFFORDABLE AND ACCESSIBLE HEALTH INSURANCE TO~~  
8 ~~THE PLAN'S INSURED AND THOSE PERSONS INSURED OR ISSUED HEALTH BENEFIT~~  
9 ~~PLANS BY AFFILIATES OR SUBSIDIARIES OF THE PLAN;~~

10          (2)     ASSIST AND SUPPORT PUBLIC AND PRIVATE HEALTH CARE  
11 INITIATIVES FOR INDIVIDUALS WITHOUT HEALTH INSURANCE; AND

12          (3)     PROMOTE THE INTEGRATION OF A STATEWIDE HEALTH CARE  
13 SYSTEM THAT MEETS THE HEALTH CARE NEEDS OF ALL MARYLAND CITIZENS.

14       (D)     A NONPROFIT HEALTH SERVICE PLAN SHALL:

15           (1)     DEVELOP GOALS, OBJECTIVES, AND STRATEGIES FOR CARRYING  
16 OUT ITS STATUTORY MISSION;

17           (2)     REPORT QUARTERLY ON OR BEFORE OCTOBER 1, 2003 THROUGH  
18 OCTOBER 1, 2006 TO THE JOINT BLUE CROSS AND BLUESHIELD OVERSIGHT  
19 COMMITTEE ON ITS PERFORMANCE; AND

20           (3)     PROVIDE TO THE JOINT BLUECROSS AND BLUESHIELD OVERSIGHT  
21 COMMITTEE ANY OTHER INFORMATION NECESSARY FOR THE COMMITTEE TO MEET  
22 THE GOALS OUTLINED UNDER § 2-10A-08 OF THE STATE GOVERNMENT ARTICLE.

23       (E)     THIS SECTION APPLIES TO:

24           (1)     A NONPROFIT HEALTH SERVICE PLAN THAT IS ISSUED A  
25 CERTIFICATE OF AUTHORITY IN THE STATE, WHETHER OR NOT ORGANIZED UNDER  
26 THE LAWS OF THE STATE; AND

27           (2)     A HEALTH MAINTENANCE ORGANIZATION, WHETHER OR NOT  
28 ORGANIZED AS A NONPROFIT CORPORATION, THAT IS WHOLLY OWNED OR  
29 CONTROLLED BY A NONPROFIT HEALTH SERVICE PLAN THAT IS ISSUED A  
30 CERTIFICATE OF AUTHORITY IN THE STATE.

31       (E)     ~~(F)~~    A corporation without capital stock organized for the purpose of  
32 establishing, maintaining, and operating a nonprofit health service plan through  
33 which health care providers provide health care services to subscribers to the plan  
34 under contracts that entitle each subscriber to certain health care services shall be  
35 governed and regulated by:

36           (1)     this subtitle;

- 1           (2)     Title 2, Subtitle 2 of this article and §§ 1-206, 3-127, and 12-210 of
- 2 this article;
- 3           (3)     Title 2, Subtitle 5 of this article;
- 4           (4)     §§ 4-113 and 4-114 of this article;
- 5           (5)     Title 5, Subtitles 1, 2, 3, 4, and 5 of this article;
- 6           (6)     Title 7 of this article, except for § 7-706 and Subtitle 2 of Title 7;
- 7           (7)     Title 9, Subtitles 1, 2, and 4 of this article;
- 8           (8)     Title 10, Subtitle 1 of this article;
- 9           (9)     Title 27 of this article; and
- 10          (10)    any other provision of this article that:
- 11               (i)     is expressly referred to in this subtitle;
- 12               (ii)    expressly refers to this subtitle; or
- 13               (iii)   expressly refers to nonprofit health service plans or persons
- 14 subject to this subtitle.

15     ~~(G)     THE PROVISIONS OF §§ 14-102(D), 14-106, 14-115(D), (E), (F), AND (G), AND~~  
 16 ~~14-139(D) AND (E) OF THIS SUBTITLE DO NOT APPLY TO A NONPROFIT HEALTH~~  
 17 ~~SERVICE PLAN THAT INSURES BETWEEN 1 AND 10,000 COVERED LIVES IN MARYLAND~~  
 18 ~~OR ISSUES CONTRACTS FOR ONLY ONE OF THE FOLLOWING SERVICES:~~

- 19           ~~(1)     PODIATRIC;~~
- 20           ~~(2)     CHIROPRACTIC;~~
- 21           ~~(3)     PHARMACEUTICAL;~~
- 22           ~~(4)     DENTAL;~~
- 23           ~~(5)     PSYCHOLOGICAL; OR~~
- 24           ~~(6)     OPTOMETRIC.~~

25 14-106.

26     (a)     It is the public policy of this State that the exemption from taxation for  
 27 nonprofit health service plans under § 6-101(b)(1) of this article is granted so that  
 28 funds which would otherwise be collected by the State and spent for a public purpose  
 29 shall be used in a like manner and amount by the nonprofit health service plan.

1 (b) This section does not apply to a nonprofit health service plan that insures  
 2 ~~[fewer than] BETWEEN 1 AND 10,000 covered lives in Maryland OR ISSUES~~  
 3 ~~CONTRACTS FOR ONLY ONE OF THE FOLLOWING SERVICES:~~

- 4 (1) ~~PODIATRIC;~~
- 5 (2) ~~CHIROPRACTIC;~~
- 6 (3) ~~PHARMACEUTICAL;~~
- 7 (4) ~~DENTAL;~~
- 8 (5) ~~PSYCHOLOGICAL; OR~~
- 9 (6) ~~OPTOMETRIC.~~

10 (c) ~~By March 1 of each year or a deadline otherwise imposed by the~~  
 11 ~~Commissioner for good cause, each nonprofit health service plan shall file with the~~  
 12 ~~Commissioner a premium tax exemption report that:~~

- 13 (1) ~~is in a form approved by the Commissioner; and~~
- 14 (2) ~~demonstrates that the plan has used funds equal to the value of the~~  
 15 ~~premium tax exemption provided to the plan under § 6-101(b) of this article, in a~~  
 16 ~~manner that serves the public interest in accordance with [subsections (d) and (e) of]~~  
 17 ~~this section.~~

18 (d) ~~(C)~~ A nonprofit health service plan may satisfy the public service  
 19 requirement [in subsection (c)(2)] of this section by establishing that, ~~TO THE~~  
 20 ~~EXTENT THE VALUE OF THE NONPROFIT HEALTH SERVICE PLAN'S PREMIUM TAX~~  
 21 ~~EXEMPTION UNDER § 6-101(B) OF THIS ARTICLE EXCEEDS THE SUBSIDY REQUIRED~~  
 22 ~~UNDER THE SENIOR PRESCRIPTION DRUG PROGRAM ESTABLISHED UNDER SUBTITLE~~  
 23 ~~5, PART II OF THIS TITLE,~~ the plan has:

- 24 (1) ~~increased access to, or the affordability of, one or more health care~~  
 25 ~~products or services by offering and selling health care products or services that are~~  
 26 ~~not required or provided for by law; [or]~~
- 27 (2) ~~PROVIDED FINANCIAL OR IN-KIND SUPPORT FOR PUBLIC HEALTH~~  
 28 ~~PROGRAMS;~~
- 29 (3) ~~EMPLOYED UNDERWRITING STANDARDS IN A MANNER THAT~~  
 30 ~~INCREASES THE AVAILABILITY OF ONE OR MORE HEALTH CARE SERVICES OR~~  
 31 ~~PRODUCTS;~~
- 32 (4) ~~EMPLOYED PRICING POLICIES THAT ENHANCE THE AFFORDABILITY~~  
 33 ~~OF HEALTH CARE SERVICES OR PRODUCTS AND RESULT IN A HIGHER MEDICAL LOSS~~  
 34 ~~RATIO THAN THAT ESTABLISHED BY A COMPARABLE FOR-PROFIT HEALTH INSURER;~~  
 35 ~~OR~~

1           ~~[(2)]~~ (5) served the public interest by any method or practice approved  
2 by the Commissioner.

3           ~~(e)~~ ~~(D)~~ ~~[(1)]~~ ~~[A]~~ NOTWITHSTANDING SUBSECTION ~~(D)~~ ~~(C)~~ OF THIS  
4 SECTION, A nonprofit health service plan that is subject to this section and issues  
5 comprehensive health care benefits in the State shall:

6           ~~(1)~~ OFFER A COMPREHENSIVE BENEFIT, OPEN ENROLLMENT PRODUCT  
7 PRODUCTS IN THE INDIVIDUAL MARKET;

8           ~~(2)~~ OFFER AN OPEN ENROLLMENT PRODUCT PRODUCTS IN THE SMALL  
9 EMPLOYER GROUP MARKET IN ACCORDANCE WITH TITLE 15, SUBTITLE 12 OF THIS  
10 ARTICLE; AND

11           ~~(3)~~ administer and subsidize the Senior Prescription Drug Program  
12 established under Title 14, Subtitle 5, Part II of this title.

13           ~~[(2)]~~ ~~(F)~~ ~~(E)~~ The subsidy required under the Senior Prescription Drug  
14 Program may not exceed the value of the nonprofit health service plan's premium tax  
15 exemption under § 6-101(b) of this article.

16           ~~[(f)]~~ ~~(G)~~ ~~(1)~~ Each SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, EACH  
17 report filed with the Commissioner under subsection ~~(e)~~ ~~(B)~~ of this section is a public  
18 record.

19           ~~(2)~~ IN ACCORDANCE WITH § 10-617(D) OF THE STATE GOVERNMENT  
20 ARTICLE, THE COMMISSIONER SHALL DENY INSPECTION OF ANY PART OF A REPORT  
21 FILED UNDER SUBSECTION (B) OF THIS SECTION THAT THE COMMISSIONER  
22 DETERMINES CONTAINS CONFIDENTIAL COMMERCIAL INFORMATION OR  
23 CONFIDENTIAL FINANCIAL INFORMATION.

24 14-107.

25           ~~(a)~~ By November 1 of each year, the Commissioner shall issue an order  
26 notifying each nonprofit health service plan that is required to file a report under §  
27 14-106 of this subtitle of whether the plan has satisfied the requirements of § 14-106  
28 of this subtitle.

29           ~~(b)~~ ~~[(1)]~~ If the Commissioner determines that a nonprofit health service plan  
30 has not satisfied the requirements of § 14-106 of this subtitle, [the nonprofit health  
31 service plan shall have 1 year from the date the Commissioner issued the order under  
32 subsection (a) of this section to comply with the requirements of § 14-106 of this  
33 subtitle.

34           ~~(2)~~ If after the time period provided under paragraph (1) of this  
35 subsection the Commissioner determines that a nonprofit health service plan has not  
36 satisfied the requirements of § 14-106 of this subtitle:

1 (i) the Commissioner shall report the determination to the House  
 2 Economic Matters Committee and the Senate Finance Committee, including the  
 3 reasons for the determination; and

4 (ii) if required by an act of the General Assembly, the nonprofit  
 5 health service plan shall be subject to] ~~THE COMMISSIONER SHALL ISSUE AN ORDER~~  
 6 ~~REQUIRING THE NONPROFIT HEALTH SERVICE PLAN TO PAY~~ the premium tax under  
 7 ~~Title 6, Subtitle 1 of this article;~~

8 ~~1. FOR A PERIOD OF TIME BEGINNING WITH THE DATE THE~~  
 9 ~~PLAN WAS DETERMINED TO BE OUT OF COMPLIANCE WITH § 14-106 OF THIS~~  
 10 ~~SUBTITLE; AND UNTIL SUCH TIME AS THE NONPROFIT HEALTH SERVICE PLAN~~  
 11 ~~DEMONSTRATES TO THE COMMISSIONER THAT THE PLAN IS COMPLYING WITH §~~  
 12 ~~14-106 OF THIS SUBTITLE~~

13 ~~2. IN AN AMOUNT EQUAL TO THE AMOUNT BY WHICH THE~~  
 14 ~~VALUE OF THE NONPROFIT HEALTH SERVICE PLAN'S PREMIUM TAX EXEMPTION~~  
 15 ~~UNDER § 6-101(B) OF THIS ARTICLE EXCEEDS THE SUM OF:~~

16 ~~A. THE SUBSIDY REQUIRED UNDER THE SENIOR~~  
 17 ~~PRESCRIPTION DRUG PROGRAM ESTABLISHED UNDER SUBTITLE 5, PART II OF THIS~~  
 18 ~~TITLE; AND~~

19 ~~B. OTHER FUNDS USED BY THE NONPROFIT HEALTH~~  
 20 ~~SERVICE PLAN TO MEET THE PUBLIC SERVICE REQUIREMENT UNDER § 14-106 OF~~  
 21 ~~THIS SUBTITLE.~~

22 (e) A nonprofit health service plan that fails to timely file the report required  
 23 under § 14-106 of this subtitle shall pay the penalties under § 14-121 of this subtitle.

24 (d) A party aggrieved by an order of the Commissioner issued under this  
 25 section has a right to a hearing in accordance with §§ 2-210 through 2-215 of this  
 26 article.

27 (E) ~~PREMIUM TAX REVENUE COLLECTED BY THE ADMINISTRATION AS THE~~  
 28 ~~RESULT OF AN ORDER ISSUED UNDER SUBSECTION (B) OF THIS SECTION SHALL BE~~  
 29 ~~DEPOSITED INTO THE MARYLAND HEALTH INSURANCE PLAN FUND ESTABLISHED~~  
 30 ~~UNDER § 14-504 OF THIS TITLE.~~

31 ~~14-109.~~

32 ~~An applicant for a certificate of authority shall:~~

33 (1) ~~file with the Commissioner an application on the form that the~~  
 34 ~~Commissioner provides containing the information that the Commissioner considers~~  
 35 ~~necessary;~~

36 (2) ~~pay to the Commissioner the applicable fee required by § 2-112 of~~  
 37 ~~this article; and~~

1 (3) file with the Commissioner copies of the following documents,  
2 certified by at least two of the executive officers of the corporation:

3 (i) articles of incorporation, ~~INCLUDING THE APPLICANT'S~~  
4 ~~CORPORATE MISSION STATEMENT~~, with all amendments;

5 (ii) bylaws with all amendments;

6 (iii) ~~each contract executed or proposed to be executed by the~~  
7 ~~corporation and a health care provider, embodying the terms under which health care~~  
8 ~~services are to be furnished to subscribers to the plan;~~

9 (iv) ~~each form of contract issued or proposed to be issued to~~  
10 ~~subscribers to the plan and a table of the rates charged or proposed to be charged to~~  
11 ~~subscribers for each form of contract;~~

12 (v) ~~a financial statement of the corporation, including the amount~~  
13 ~~of each contribution paid or agreed to be paid to the corporation for working capital,~~  
14 ~~the name of each contributor, and the terms of each contribution;~~

15 (vi) ~~a list of the names and addresses of and biographical~~  
16 ~~information about the members of the board of directors of the [nonprofit health~~  
17 ~~service plan] CORPORATION; [and]~~

18 (VII) ~~A LIST OF THE TOTAL COMPENSATION PAID OR PROPOSED TO~~  
19 ~~BE PAID TO EACH MEMBER OF THE BOARD OF DIRECTORS OF THE CORPORATION;~~  
20 ~~AND~~

21 ~~[(vii)] (VIII) any other information or documents that the~~  
22 ~~Commissioner considers necessary to ensure compliance with this subtitle.~~

23 ~~14-110.~~

24 (A) ~~The Commissioner shall issue a certificate of authority to an applicant if:~~

25 (1) ~~the applicant has paid the applicable fee required by § 2-112 of this~~  
26 ~~article; and~~

27 (2) ~~the Commissioner is satisfied:~~

28 (i) ~~that the applicant has been organized in good faith for the~~  
29 ~~purpose of establishing, maintaining, and operating a nonprofit health service plan~~  
30 ~~THAT:~~

31 1. ~~IS COMMITTED TO A NONPROFIT CORPORATE~~  
32 ~~STRUCTURE;~~

33 2. ~~SEEKS TO PROVIDE INDIVIDUALS, BUSINESSES, AND~~  
34 ~~OTHER GROUPS WITH THE MOST AFFORDABLE AND ACCESSIBLE HEALTH~~  
35 ~~INSURANCE POSSIBLE; AND~~

1 3. RECOGNIZES A RESPONSIBILITY TO CONTRIBUTE TO THE  
2 IMPROVEMENT OF THE OVERALL HEALTH STATUS OF MARYLAND RESIDENTS;

3 (ii) that:

4 1. each contract executed or proposed to be executed by the  
5 applicant and a health care provider to furnish health care services to subscribers to  
6 the nonprofit health service plan, obligates or, when executed, will obligate each  
7 health care provider party to the contract to render the health care services to which  
8 each subscriber is entitled under the terms and conditions of the various contracts  
9 issued or proposed to be issued by the applicant to subscribers to the plan; and

10 2. each subscriber is entitled to reimbursement for podiatric,  
11 chiropractic, psychological, or optometric services, regardless of whether the service is  
12 performed by a licensed physician, licensed podiatrist, licensed chiropractor, licensed  
13 psychologist, or licensed optometrist;

14 (iii) that:

15 1. each contract issued or proposed to be issued to  
16 subscribers to the plan is in a form approved by the Commissioner; and

17 2. the rates charged or proposed to be charged for each form  
18 of each contract are fair and reasonable;

19 (iv) that the applicant has a surplus, as defined in § 14-117 of this  
20 subtitle, of the greater of:

21 1. \$100,000; and

22 2. an amount equal to that required under § 14-117 of this  
23 subtitle; and

24 (v) that, except for a nonprofit health service plan that insures  
25 [fewer than] BETWEEN 1 AND 10,000 covered lives in the State, the nonprofit health  
26 service plan's corporate headquarters is located in the State.

27 (B) THE COMMISSIONER MAY NOT RENEW THE CERTIFICATE OF AUTHORITY  
28 OF A NONPROFIT HEALTH SERVICE PLAN UNLESS THE COMMISSIONER DETERMINES  
29 THAT THE PLAN CONTINUES TO SATISFY THE REQUIREMENTS OF THIS SUBTITLE.

30 ~~(B) IF THE COMMISSIONER DETERMINES THAT A NONPROFIT HEALTH~~  
31 ~~SERVICES PLAN DOES NOT CONTINUE TO SATISFY THE REQUIREMENTS OF THIS~~  
32 ~~SUBTITLE, THE COMMISSIONER MAY DISAPPROVE THE RENEWAL OF THE~~  
33 ~~CERTIFICATE OF AUTHORITY OF THE PLAN.~~

34 14-111.

35 ~~A SUBJECT TO THE PROVISIONS OF THIS ARTICLE, A~~ certificate of authority  
36 issued under this subtitle authorizes a corporation to:

1 (1) issue contracts in the form filed with the Commissioner to persons  
2 that become subscribers to the plan;

3 (2) ~~FINANCE CAPITAL IMPROVEMENT PROJECTS THROUGH THE~~  
4 ~~MARYLAND HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY AS~~  
5 ~~PROVIDED UNDER ARTICLE 43C OF THE CODE;~~

6 (3) ~~FINANCE CAPITAL IMPROVEMENT PROJECTS THROUGH THE~~  
7 ~~MARYLAND ECONOMIC DEVELOPMENT CORPORATION AS PROVIDED UNDER ARTICLE~~  
8 ~~83A, TITLE 5, SUBTITLE 2 OF THE CODE; AND~~

9 (4) ~~PARTNER WITH THE STATE AND OTHER PUBLIC OR PRIVATE~~  
10 ~~ENTITIES TO PROVIDE SERVICES OR ADMINISTER PROGRAMS INTENDED TO~~  
11 ~~ADDRESS COMMUNITY HEALTH CARE NEEDS.~~

12 ~~14-115.~~

13 (a) (1) ~~In this section the following words have the meanings indicated.~~

14 (2) ~~"Board" means the board of directors of a nonprofit health service~~  
15 ~~plan.~~

16 (3) ~~"Immediate family member" means a spouse, child, child's spouse,~~  
17 ~~parent, spouse's parent, sibling, or sibling's spouse.~~

18 (b) ~~Subsections (c) through [(f)] (G) of this section apply THIS SECTION~~  
19 ~~APPLIES to a nonprofit health service plan that is incorporated under the laws of the~~  
20 ~~State and operates under a certificate of authority issued by the Commissioner under~~  
21 ~~this subtitle.~~

22 (c) (1) ~~The business and affairs of a nonprofit health service plan shall be~~  
23 ~~managed under the direction of a board of directors.~~

24 (2) ~~The board and its individual members are fiduciaries FOR THE~~  
25 ~~BENEFIT OF THE CORPORATION and shall act:~~

26 (i) ~~in good faith;~~

27 (ii) ~~in a manner that is reasonably believed to be in the best~~  
28 ~~interests of the corporation; [and]~~

29 (iii) ~~IN A MANNER THAT IS REASONABLY BELIEVED TO BE IN~~  
30 ~~FURTHERANCE OF THE CORPORATION'S NONPROFIT MISSION; AND~~

31 [(iii)] (iv) ~~with the care that an ordinarily prudent person in a like~~  
32 ~~position would use under similar circumstances.~~

33 (3) ~~THE PRINCIPAL FUNCTIONS OF THE BOARD SHALL INCLUDE:~~

34 (i) ~~ENSURING THAT THE CORPORATION EFFECTIVELY CARRIES~~  
35 ~~OUT THE NONPROFIT MISSION ESTABLISHED UNDER § 14-102(C) OF THIS SUBTITLE;~~

1                   (II)     ~~MONITORING THE PERFORMANCE OF CORPORATE~~  
2 ~~MANAGEMENT;~~

3                   (II)     ~~SELECTING CORPORATE MANAGEMENT AND OVERSEEING AND~~  
4 ~~EVALUATING ITS PERFORMANCE;~~

5                   (III)    ~~SELECTING, OVERSEEING, EVALUATING, AND IF NEED BE,~~  
6 ~~REPLACING THE CHIEF EXECUTIVE OFFICER;~~

7                   (IV)    ~~ENSURING TO THE EXTENT PRACTICABLE THAT HUMAN~~  
8 ~~RESOURCES AND OTHER RESOURCES ARE SUFFICIENT TO MEET CORPORATE~~  
9 ~~OBJECTIVES;~~

10                  (V)     (IV)    ~~SUBJECT TO THE PROVISIONS OF SUBSECTION (D) OF THIS~~  
11 ~~SECTION, NOMINATING AND SELECTING SUITABLE CANDIDATES FOR THE BOARD;~~  
12 ~~AND~~

13                  (VI)    (V)     ~~ESTABLISHING A SYSTEM OF GOVERNANCE AT THE~~  
14 ~~BOARD LEVEL, INCLUDING EVALUATION OF BOARD PERFORMANCE.~~

15                  (4)     ~~EACH MEMBER OF THE BOARD SHALL DEMONSTRATE A~~  
16 ~~COMMITMENT TO THE MISSION OF THE NONPROFIT HEALTH SERVICE PLAN.~~

17                  [(3)]   (5)     ~~An officer or employee of a nonprofit health service plan or any~~  
18 ~~of its affiliates or subsidiaries may not be appointed or elected to the board.~~

19                  [(4)]   (6)     ~~A nonprofit health service plan is subject to the provisions of §~~  
20 ~~2-419 of the Corporations and Associations Article.~~

21                  (d)     (1)     ~~This subsection does not apply to a board of a nonprofit health service~~  
22 ~~plan that INSURES BETWEEN 1 AND 10,000 COVERED LIVES IN MARYLAND OR issues~~  
23 ~~contracts for only one of the following services:~~

24                         (i)     ~~podiatric;~~

25                         (ii)    ~~chiropractic;~~

26                         (iii)   ~~pharmaceutical;~~

27                         (iv)   ~~dental;~~

28                         (v)     ~~psychological; or~~

29                         (vi)   ~~optometric.~~

30                  (2)     ~~THE BOARD SHALL BE COMPRISED OF 15 MEMBERS, SELECTED BY~~  
31 ~~THE BOARD OF DIRECTORS OF THE NONPROFIT HEALTH SERVICE PLAN IN~~  
32 ~~ACCORDANCE WITH PARAGRAPHS (3) THROUGH (7) OF THIS SUBSECTION.~~

33                  (3)     ~~THE 15 BOARD MEMBERS SHALL INCLUDE:~~

1           (I)     INDIVIDUALS WITH A BACKGROUND IN ACCOUNTING,  
2 INFORMATION TECHNOLOGY, FINANCE, LAW, LARGE AND SMALL BUSINESS,  
3 NONPROFIT BUSINESS, AND ORGANIZED LABOR; AND

4           (II)    TWO CONSUMERS, WHO SATISFY THE REQUIREMENTS OF  
5 PARAGRAPHS (4) THROUGH (6) OF THIS SUBSECTION.

6           ~~(1)     THIS SUBSECTION APPLIES TO A CORPORATION THAT IS:~~

7           ~~(I)     ISSUED A CERTIFICATE OF AUTHORITY AS A NONPROFIT~~  
8 ~~HEALTH SERVICE PLAN; AND~~

9           ~~(II)    THE SOLE MEMBER OF A CORPORATION ISSUED A CERTIFICATE~~  
10 ~~OF AUTHORITY AS A NONPROFIT HEALTH SERVICE PLAN.~~

11          ~~(2)     THE BOARD SHALL BE COMPOSED OF NO MORE THAN 23 MEMBERS,~~  
12 ~~INCLUDING:~~

13           ~~(I)     TWO CONSUMER MEMBERS;~~

14           ~~(II)    ONE MEMBER SELECTED FROM A PANEL OF FIVE INDIVIDUALS~~  
15 ~~NOMINATED BY THE MARYLAND HOSPITAL ASSOCIATION;~~

16           ~~(III)   ONE MEMBER SELECTED FROM A PANEL OF FIVE INDIVIDUALS~~  
17 ~~NOMINATED BY THE MEDICAL AND CHIRURGICAL FACULTY OF MARYLAND;~~

18           ~~(IV)    ONE MEMBER REPRESENTING ORGANIZED LABOR;~~

19           ~~(V)     ONE MEMBER REPRESENTING LARGE BUSINESS INTERESTS;~~

20           ~~(VI)    ONE MEMBER REPRESENTING SMALL BUSINESS INTERESTS;~~

21           ~~(VII)   ONE NONVOTING MEMBER, WHO IS NOT A MEMBER OF THE~~  
22 ~~MARYLAND GENERAL ASSEMBLY, APPOINTED BY AND SERVING AT THE PLEASURE OF~~  
23 ~~THE PRESIDENT OF THE SENATE OF MARYLAND; AND~~

24           ~~(VIII)   ONE NONVOTING MEMBER, WHO IS NOT A MEMBER OF THE~~  
25 ~~MARYLAND GENERAL ASSEMBLY, APPOINTED BY AND SERVING AT THE PLEASURE OF~~  
26 ~~THE SPEAKER OF THE HOUSE OF DELEGATES.~~

27          ~~(3)     A MAJORITY OF THE VOTING BOARD MEMBERS MAY NOT BE HEALTH~~  
28 ~~CARE PROVIDERS.~~

29          ~~(4)     EXCEPT AS PROVIDED IN PARAGRAPH (2)(VII) AND (VIII) OF THIS~~  
30 ~~SUBSECTION, THE BOARD SHALL BE SELF PERPETUATING.~~

31          ~~(5)     THE BOARD SHALL HAVE THE FOLLOWING STANDING COMMITTEES:~~

32           ~~(I)     AUDIT;~~

33           ~~(II)    FINANCE;~~

1 ~~(III) COMPENSATION;~~

2 ~~(IV) SERVICE AND QUALITY OVERSIGHT;~~

3 ~~(V) MISSION;~~

4 ~~(VI) STRATEGIC PLANNING; AND~~

5 ~~(VII) NOMINATING.~~

6 ~~(6) EACH STANDING COMMITTEE SHALL HAVE REPRESENTATION FROM:~~

7 ~~(I) THE VOTING MEMBERS UNDER PARAGRAPH (2) OF THIS~~  
8 ~~SUBSECTION; AND~~

9 ~~(II) EACH CORPORATION FOR WHICH THE NONPROFIT HEALTH~~  
10 ~~SERVICE PLAN IS THE SOLE MEMBER.~~

11 ~~(7) (I) BOARD APPROVAL IS REQUIRED FOR ANY ACTION BY THE~~  
12 ~~NONPROFIT HEALTH SERVICE PLAN, CORPORATION FOR WHICH THE PLAN IS THE~~  
13 ~~SOLE MEMBER, OR AFFILIATE OR SUBSIDIARY OF THE NONPROFIT HEALTH SERVICE~~  
14 ~~PLAN TO:~~

15 ~~1. MODIFY BENEFIT LEVELS;~~

16 ~~2. MATERIALLY MODIFY PROVIDER NETWORKS OR~~  
17 ~~PROVIDER REIMBURSEMENT;~~

18 ~~3. MODIFY UNDERWRITING GUIDELINES;~~

19 ~~4. MODIFY RATES OR RATING PLANS;~~

20 ~~5. WITHDRAW A PRODUCT OR WITHDRAW FROM A LINE OR~~  
21 ~~TYPE OF BUSINESS OR GEOGRAPHIC REGION; OR~~

22 ~~6. IMPACT THE AVAILABILITY OR AFFORDABILITY OF~~  
23 ~~HEALTH CARE IN THE STATE.~~

24 ~~(II) THE BOARD MAY DELEGATE APPROVAL FOR THE ACTIONS~~  
25 ~~LISTED IN SUBPARAGRAPH (I) OF THIS PARAGRAPH TO A STANDING COMMITTEE OF~~  
26 ~~THE BOARD.~~

27 ~~(8) THE BOARD SHALL TAKE AND RETAIN COMPLETE MINUTES OF ALL~~  
28 ~~BOARD AND COMMITTEE MEETINGS.~~

29 ~~[(2) The board shall appoint two additional members to serve as voting~~  
30 ~~consumer members.~~

31 ~~(3)] (4) (9) Of the two consumer members, one shall be a subscriber and~~  
32 ~~one shall be a certificate holder of the nonprofit health service plan.~~

- 1           ~~[(4)]~~   ~~(5)-(10)~~ Each consumer member of the board:
- 2                           (i)    shall be a member of the general public;
- 3                           (ii)   may not be considered an agent or employee of the State for any  
4 purpose; and
- 5                           (iii)   is entitled to the same rights, powers, and privileges as the  
6 other members of the board.
- 7           ~~[(5)]~~   ~~(6)-(11)~~ A consumer member of the board may not:
- 8                           (i)    be a licensee of or otherwise be subject to regulation by the  
9 Commissioner;
- 10                          (ii)   be employed by or have a financial interest in:
- 11                           1.    a nonprofit health service plan or its affiliates or  
12 subsidiaries; or
- 13                           2.    a person regulated under this article or the Health  
14 General Article; or
- 15                          (iii)   within 1 year 5 YEARS before appointment, have been employed  
16 by, had a financial interest in, or have received compensation from:
- 17                           1.    a nonprofit health service plan or its affiliates or  
18 subsidiaries; or
- 19                           2.    a person regulated under this article or the Health  
20 General Article.
- 21           ~~(7)~~    ~~NO MORE THAN 20% OF THE MEMBERS OF THE BOARD MAY BE:~~
- 22                           ~~(I)~~    ~~LICENSED HEALTH CARE PROFESSIONALS;~~
- 23                           ~~(II)~~   ~~HOSPITAL ADMINISTRATORS; OR~~
- 24                           ~~(III)~~   ~~EMPLOYEES OF HEALTH CARE PROFESSIONALS OR HOSPITALS.~~
- 25           ~~(8)~~    ~~THE BOARD SHALL ESTABLISH:~~
- 26                           ~~(I)~~    ~~A COMPENSATION COMMITTEE TO EXAMINE AND RECOMMEND~~  
27 ~~TO THE BOARD APPROPRIATE GUIDELINES FOR, AND LEVELS OF, COMPENSATION OF~~  
28 ~~OFFICERS AND EMPLOYEES;~~
- 29                           ~~(II)~~   ~~A NOMINATING COMMITTEE TO IDENTIFY AND RECOMMEND TO~~  
30 ~~THE BOARD INDIVIDUALS QUALIFIED TO BECOME BOARD MEMBERS;~~
- 31                           ~~(III)~~   ~~AN AUDIT COMMITTEE TO ENSURE FINANCIAL~~  
32 ~~ACCOUNTABILITY; AND~~

1                   (IV)    ANY OTHER COMMITTEE THAT THE BOARD DETERMINES IS  
2 NECESSARY TO CARRY OUT ITS BUSINESS.

3                   (9)    (I)     ~~THE CHAIRMAN OF THE BOARD OF DIRECTORS SHALL SELECT~~  
4 ~~THE CHAIRMEN OF THE BOARD COMMITTEES.~~

5                   (H)     ~~A COMMITTEE CHAIRMAN SHALL SERVE FOR 1 YEAR.~~

6                   (HII)   ~~A BOARD MEMBER WHO WAS A BOARD MEMBER AS OF JUNE 1,~~  
7 ~~2003 MAY NOT CHAIR A COMMITTEE AFTER JUNE 1, 2005.~~

8           (e)    (1)     This subsection does not apply to a board that has fewer than three  
9 authorized members.

10           (2)    The term of a member is ~~[3] 4 years.~~

11           (3)    The terms of the members of a board shall be staggered over a  
12 ~~[3 year] 4 YEAR~~ period as required by the terms provided for members of the board  
13 in the bylaws filed and approved by the Commissioner on or after June 1, ~~[1993]~~  
14 ~~2003.~~

15           (4)    At the end of a term, a member continues to serve until a successor is  
16 appointed and qualifies.

17           (5)    A member who is appointed after a term has begun serves only for  
18 the rest of the term and until a successor is appointed and qualifies.

19           (6)    A member may not serve for more than:

20                   (i)     ~~[three] TWO~~ full terms; or

21                   (ii)    a total of more than ~~[9] 8~~ years.

22           (7)    A person may not be a member of the board if the person:

23                   (i)     has defaulted on the payment of a monetary obligation to the  
24 nonprofit health service plan;

25                   (ii)    has been convicted of a criminal offense involving dishonesty or  
26 breach of trust or a felony; or

27                   (iii)   habitually has neglected to pay debts.

28           (8)    A member shall meet any other qualifications set forth in the bylaws  
29 of the nonprofit health service plan.

30           (9)    A member may not be an immediate family member of another board  
31 member or an officer or employee of the nonprofit health service plan.

32           (10)   The board shall elect a chairman from among its members.

1           (11) ~~(f)~~       The [membership] COMPOSITION of the board shall represent  
 2 the [different] RACIAL, ~~AND~~ GENDER, ~~AND~~ geographic [regions] DIVERSITY of the  
 3 State; ~~AND~~

4           ~~(H)       THE BOARD SHALL INCLUDE REPRESENTATION FROM EACH~~  
 5 ~~GEOGRAPHIC REGION OF THE STATE.~~

6       ~~(f)       The board shall notify the Commissioner of any member who attends less~~  
 7 ~~than 65% of the meetings of the board during a period of 12 consecutive months.~~

8       ~~(G)       THE COMPENSATION, IF ANY, OF THE DIRECTORS AND OFFICERS OF A~~  
 9 ~~NONPROFIT HEALTH SERVICE PLAN SHALL BE REASONABLE, AS DETERMINED BY~~  
 10 ~~THE COMMISSIONER, IN COMPARISON TO THE COMPENSATION PAID TO BOARD~~  
 11 ~~MEMBERS AND OFFICERS OF COMPARABLE NONPROFIT HEALTH SERVICE PLANS IN~~  
 12 ~~THE UNITED STATES.~~

13       ~~(G)       (1)       A BOARD MEMBER MAY RECEIVE COMPENSATION ONLY FOR:~~

14           ~~(f)       ATTENDANCE AT MEETINGS OF THE BOARD AND BOARD~~  
 15 ~~COMMITTEES; AND~~

16           ~~(H)       EXPENSES FOR ACTIVITIES DIRECTLY RELATED TO THE~~  
 17 ~~CORPORATION.~~

18           ~~(2)       SUBJECT TO PARAGRAPH (3) OF THIS SUBSECTION, A BOARD~~  
 19 ~~MEMBER MAY RECEIVE \$1,000 FOR EACH MEETING OF THE BOARD OR A BOARD~~  
 20 ~~COMMITTEE ATTENDED BY THE BOARD MEMBER DURING A CALENDAR YEAR.~~

21           ~~(3)       REGARDLESS OF THE NUMBER OF MEETINGS ATTENDED,~~  
 22 ~~COMPENSATION, INCLUDING REIMBURSED EXPENSES, RECEIVED DURING A~~  
 23 ~~CALENDAR YEAR MAY NOT EXCEED:~~

24           ~~(f)       \$20,000 FOR A BOARD MEMBER WHO IS NOT THE CHAIRMAN OF~~  
 25 ~~THE BOARD OR A BOARD COMMITTEE;~~

26           ~~(H)       \$25,000 FOR A BOARD MEMBER WHO IS THE CHAIRMAN OF A~~  
 27 ~~COMMITTEE; AND~~

28           ~~(H)       \$30,000 FOR THE CHAIRMAN OF THE BOARD.~~

29       ~~[(g)       (1)       This subsection does not apply to a board of a nonprofit health service~~  
 30 ~~plan that has a premium income for the preceding year of less than \$30,000,000.~~

31           ~~(2)       No more than 25% of a board may be:~~

32           ~~(i)       licensed health care professionals;~~

33           ~~(ii)       hospital administrators; and~~

34           ~~(iii)       employees of health care professionals or hospitals.~~

1           (3)     The Commissioner may adopt regulations that limit the  
2 representation of licensed health care professionals, hospital administrators, and  
3 employees of health care professionals or hospitals on a subcommittee of the board in  
4 accordance with paragraph (2) of this subsection.}]

5 ~~14-116.~~

6       ~~(a)     (1)     In this section, "unsound or unsafe business practice" means a  
7 business practice that:~~

8                       ~~(i)     is detrimental to the financial condition of a nonprofit health  
9 service plan and does not conform to sound industry practice; [or]~~

10                      ~~(ii)     impairs the ability of a nonprofit health service plan to pay  
11 subscriber benefits; OR~~

12                      ~~(iii)     VIOLATES § 14-102, § 14-115, OR § 14-139(C) OF THIS TITLE.~~

13           ~~(2)     "Unsound or unsafe business practice" includes:~~

14                      ~~(i)     failing to comply with the notice requirements of § 14-119 of  
15 this subtitle;~~

16                      ~~(ii)     willfully hindering an examination of a nonprofit health service  
17 plan or its affiliates or subsidiaries; and~~

18                      ~~(iii)     failure of a director to attend at least 65% of the meetings of the  
19 board during a period of 12 consecutive months;~~

20       ~~(b)     (1)     If the Commissioner believes that an officer or director of a nonprofit  
21 health service plan has engaged in an unsound or unsafe business practice, the  
22 Commissioner shall send a warning to that individual.~~

23           ~~(2)     The Commissioner shall send a copy of the warning:~~

24                      ~~(i)     by certified mail, return receipt requested, bearing a postmark  
25 from the United States Postal Service, to each director of the nonprofit health service  
26 plan; and~~

27                      ~~(ii)     if the nonprofit health service plan is a corporation incorporated  
28 in a state other than this State, to the insurance commissioner of the state in which  
29 the corporation is incorporated.~~

30       ~~(c)     (1)     If the nonprofit health service plan is incorporated in this State, the  
31 Commissioner may remove the officer or director if the Commissioner determines  
32 after a hearing that the unsound or unsafe business practice continued after the  
33 warning.~~

34           ~~(2)     A copy of the removal order shall be served on the individual removed  
35 and each director of the nonprofit health service plan.~~

1           ~~(3)     The individual removed is entitled to a hearing under Title 2 of this~~  
2 ~~article.~~

3           ~~(4)     Any person aggrieved by a final decision of the Commissioner under~~  
4 ~~this section may appeal the decision under § 2-215 of this article.~~

5           ~~(F)     (1)     IF THE ATTORNEY GENERAL HAS REASON TO BELIEVE THAT A~~  
6 ~~NONPROFIT HEALTH SERVICE PLAN IS ENGAGING IN AN UNSOUND OR UNSAFE~~  
7 ~~BUSINESS PRACTICE, THE ATTORNEY GENERAL SHALL NOTIFY THE COMMISSIONER.~~

8           ~~(2)     IF THE COMMISSIONER FAILS TO TAKE ACTION UNDER THIS~~  
9 ~~SECTION WITHIN 60 DAYS AFTER NOTIFICATION BY THE ATTORNEY GENERAL, THE~~  
10 ~~ATTORNEY GENERAL MAY:~~

11           ~~(I)     INVESTIGATE THE UNSOUND OR UNSAFE BUSINESS PRACTICE;~~  
12 ~~AND~~

13           ~~(II)    INITIATE AN ACTION IN CIRCUIT COURT FOR APPROPRIATE~~  
14 ~~RELIEF TO REMEDY THE UNSOUND OR UNSAFE BUSINESS PRACTICE, INCLUDING~~  
15 ~~THE REMOVAL OF AN OFFICER OR DIRECTOR OF THE NONPROFIT HEALTH SERVICE~~  
16 ~~PLAN.~~

17           ~~(3)     IN THE COURSE OF ANY INVESTIGATION CONDUCTED BY THE~~  
18 ~~ATTORNEY GENERAL, THE ATTORNEY GENERAL MAY:~~

19           ~~(I)     SUBPOENA WITNESSES;~~

20           ~~(II)    ADMINISTER OATHS;~~

21           ~~(III)   EXAMINE AN INDIVIDUAL UNDER OATH;~~

22           ~~(IV)    COMPEL PRODUCTION OF RECORDS, BOOKS, PAPERS,~~  
23 ~~CONTRACTS, AND OTHER DOCUMENTS; AND~~

24           ~~(V)     OBTAIN ALL NECESSARY ASSISTANCE FROM THE~~  
25 ~~ADMINISTRATION.~~

26 ~~14-126.~~

27           ~~(a)     (1)     A corporation subject to this subtitle may not amend its certificate of~~  
28 ~~incorporation, bylaws, or the terms and provisions of contracts issued or proposed to~~  
29 ~~be issued to subscribers to the plan until the proposed amendments have been~~  
30 ~~submitted to and approved by the Commissioner and the applicable fees required by~~  
31 ~~§ 2-112 of this article have been paid.~~

32           ~~(2)     A corporation subject to this subtitle may not change the table of~~  
33 ~~rates charged or proposed to be charged to subscribers for a form of contract issued or~~  
34 ~~to be issued for health care services until the proposed change has been submitted to~~  
35 ~~and approved by the Commissioner.~~

1 ~~(3) THE COMMISSIONER MAY NOT APPROVE AN AMENDMENT TO THE~~  
2 ~~ARTICLES OF INCORPORATION OR BYLAWS UNDER PARAGRAPH (1) OF THIS~~  
3 ~~SUBSECTION UNLESS THE COMMISSIONER DETERMINES THE AMENDMENT IS IN THE~~  
4 ~~PUBLIC INTEREST.~~

5 ~~14-133.~~

6 ~~(e) (1) A nonprofit health service plan shall submit a statement of proposed~~  
7 ~~action to the Commissioner before the plan may:~~

8 ~~(i) create, acquire, or invest in an affiliate or subsidiary in order to~~  
9 ~~control the affiliate or subsidiary;~~

10 ~~(ii) alter the structure, organization, purpose, or ownership of the~~  
11 ~~plan or an affiliate or subsidiary of the corporation;~~

12 ~~(iii) make an investment exceeding \$500,000; or~~

13 ~~(iv) make an investment in an affiliate or subsidiary.~~

14 ~~(2) The nonprofit health service plan shall file the statement of proposed~~  
15 ~~action required under this subsection at least 60 days before the effective date of the~~  
16 ~~proposed action.~~

17 ~~(3) The nonprofit health service plan may not engage in a proposed~~  
18 ~~action described under paragraph (1)(i) through (iii) of this subsection unless the~~  
19 ~~Commissioner approves the action in writing.~~

20 ~~(4) The Commissioner shall either approve or disapprove the proposed~~  
21 ~~action within 60 days after the Commissioner receives the statement of proposed~~  
22 ~~action.~~

23 ~~(5) THE COMMISSIONER MAY NOT APPROVE A STATEMENT OF~~  
24 ~~PROPOSED ACTION UNDER THIS SECTION UNLESS THE COMMISSIONER DETERMINES~~  
25 ~~THE PROPOSED ACTION IS IN THE PUBLIC INTEREST.~~

26 ~~14-139.~~

27 ~~(a) An officer, director, or employee of a corporation operating under this~~  
28 ~~subtitle may not:~~

29 ~~(1) willfully violate a provision of this article or a regulation adopted~~  
30 ~~under this article;~~

31 ~~(2) willfully misrepresent or conceal a material fact in a statement,~~  
32 ~~report, record, or communication submitted to the Commissioner;~~

33 ~~(3) willfully misrepresent a material fact to the board of directors;~~

34 ~~(4) misappropriate or fail to account properly for money that belongs to~~  
35 ~~the corporation, an insurer, insurance producer, subscriber, or certificate holder;~~

1 ~~(5) engage in fraudulent or dishonest practices in connection with the~~  
2 ~~provision or administration of a health service plan;~~

3 ~~(6) willfully fail to produce records or allow an examination under §~~  
4 ~~14-125 of this subtitle; or~~

5 ~~(7) willfully fail to comply with a lawful order of the Commissioner.~~

6 ~~(b) An officer, director, or trustee of a corporation operating under this subtitle~~  
7 ~~may not receive any immediate or future remuneration as the result of an acquisition~~  
8 ~~or proposed acquisition, as defined under § 6.5-101 of the State Government Article,~~  
9 ~~except in the form of compensation paid for continued employment with the company~~  
10 ~~or acquiring entity.~~

11 ~~(C) AN OFFICER, DIRECTOR, TRUSTEE, OR EMPLOYEE OF A CORPORATION~~  
12 ~~OPERATING UNDER THIS SUBTITLE MAY ONLY APPROVE OR RECEIVE FROM THE~~  
13 ~~ASSETS OF THE CORPORATION FAIR AND REASONABLE COMPENSATION IN THE~~  
14 ~~FORM OF SALARY, BONUSES, OR PERQUISITES FOR WORK ACTUALLY PERFORMED~~  
15 ~~FOR THE BENEFIT OF THE CORPORATION.~~

16 ~~(D) (1) THE BOARD SHALL:~~

17 ~~(I) IDENTIFY NONPROFIT HEALTH SERVICE PLANS IN THE UNITED~~  
18 ~~STATES THAT ARE SIMILAR IN SIZE AND SCOPE TO THE NONPROFIT HEALTH SERVICE~~  
19 ~~PLAN MANAGED BY THE BOARD;~~

20 ~~(II) DEVELOP PROPOSED GUIDELINES FOR COMPENSATION,~~  
21 ~~INCLUDING SALARY, BONUSES, AND PERQUISITES, OF ALL SENIOR EXECUTIVES~~  
22 ~~THAT IS REASONABLE IN COMPARISON TO COMPENSATION FOR SENIOR EXECUTIVES~~  
23 ~~OF SIMILAR NONPROFIT HEALTH SERVICE PLANS; AND~~

24 ~~(III) ON OR BEFORE JUNE 1, 2004, SUBMIT THE PROPOSED~~  
25 ~~GUIDELINES TO THE COMMISSIONER FOR REVIEW AND APPROVAL.~~

26 ~~(2) (I) THE COMMISSIONER SHALL REVIEW THE PROPOSED~~  
27 ~~GUIDELINES AND, WITHIN 60 DAYS, APPROVE OR DISAPPROVE THE PROPOSED~~  
28 ~~GUIDELINES.~~

29 ~~(II) FAILURE OF THE COMMISSIONER TO ACT ON THE PROPOSED~~  
30 ~~GUIDELINES WITHIN 60 DAYS SHALL CONSTITUTE APPROVAL.~~

31 ~~(3) IF THE COMMISSIONER DISAPPROVES THE PROPOSED GUIDELINES,~~  
32 ~~THE BOARD SHALL REVISE AND SUBMIT NEW PROPOSED GUIDELINES THAT MEET~~  
33 ~~THE COMMISSIONER'S APPROVAL.~~

34 ~~(4) THE BOARD SHALL REVIEW THE PROPOSED GUIDELINES AT LEAST~~  
35 ~~ANNUALLY AND, IF THE BOARD FINDS THAT CHANGES ARE NEEDED, THE BOARD~~  
36 ~~SHALL SUBMIT THE CHANGES TO THE COMMISSIONER IN ACCORDANCE WITH~~  
37 ~~PARAGRAPHS (1) THROUGH (3) OF THIS SUBSECTION.~~

- 1           ~~(S)~~     ~~THE BOARD SHALL:~~
- 2                   ~~(I)~~     ~~PROVIDE A COPY OF THE APPROVED GUIDELINES:~~
- 3                           ~~1:~~     ~~TO EACH SENIOR EXECUTIVE; AND~~
- 4                           ~~2:~~     ~~TO EACH CANDIDATE FOR A SENIOR EXECUTIVE~~
- 5 ~~POSITION; AND~~
- 6                   ~~(H)~~     ~~ADHERE TO THE APPROVED GUIDELINES IN COMPENSATING~~
- 7 ~~THE SENIOR EXECUTIVES OF THE NONPROFIT HEALTH SERVICE PLAN.~~
- 8                   ~~(6)~~     ~~ON AN ANNUAL BASIS, THE COMMISSIONER SHALL REVIEW THE~~
- 9 ~~COMPENSATION PAID BY THE NONPROFIT HEALTH SERVICE PLAN TO EACH SENIOR~~
- 10 ~~EXECUTIVE.~~
- 11                  ~~(7)~~     ~~IF THE COMMISSIONER FINDS THAT THE COMPENSATION EXCEEDS~~
- 12 ~~THE AMOUNT AUTHORIZED UNDER THE APPROVED GUIDELINES, THE~~
- 13 ~~COMMISSIONER SHALL ISSUE AN ORDER PROHIBITING PAYMENT OF THE EXCESS~~
- 14 ~~AMOUNT.~~
- 15                  ~~(E)~~     ~~THE APPROVAL OR RECEIPT OF REMUNERATION IN VIOLATION OF AN~~
- 16 ~~ORDER ISSUED UNDER SUBSECTION (D)(7) OF THIS SECTION IS A VIOLATION OF~~
- 17 ~~§ 14-115(C) OF THIS SUBTITLE AND SHALL BE CONSIDERED AN UNSOUND OR UNSAFE~~
- 18 ~~BUSINESS PRACTICE UNDER § 14-116 OF THIS SUBTITLE.~~
- 19           ~~[(c)]~~   ~~(F)~~   ~~(1)~~    ~~A person that violates subsection (a) OR (C) of this section is~~
- 20 ~~subject to a civil penalty not exceeding [\$5,000] \$10,000 for each violation.~~
- 21                   ~~(2)~~     ~~Instead of or in addition to imposing a civil penalty, the~~
- 22 ~~Commissioner may require the violator to make restitution to any person that has~~
- 23 ~~suffered financial injury as a result of the violation.~~
- 24           ~~[(d)]~~   ~~(G)~~     ~~In determining the amount of financial penalty to be imposed, the~~
- 25 ~~Commissioner shall consider:~~
- 26                   ~~(1)~~     ~~the seriousness of the violation;~~
- 27                   ~~(2)~~     ~~the good faith of the violator;~~
- 28                   ~~(3)~~     ~~the violator's history of previous violations;~~
- 29                   ~~(4)~~     ~~the deleterious effect of the violation on the public and the nonprofit~~
- 30 ~~health service industry; and~~
- 31                   ~~(5)~~     ~~the assets of the violator.~~
- 32           ~~[(e)]~~   ~~(H)~~   ~~(1)~~    ~~Before assessing a civil penalty OR RESTITUTION, the~~
- 33 ~~Commissioner shall serve by certified mail, return receipt requested, on the person to~~
- 34 ~~be charged a notice that contains:~~

- 1                   (i)       the specifications of the charge; and
- 2                   (ii)       the time and place of a hearing to be held on the charges.
- 3                   (2)       The Commissioner shall hold a hearing on the charges at least 20  
4 days after the date of mailing the notice.
- 5                   (3)       The Commissioner or designee of the Commissioner shall conduct a  
6 hearing on the charges in accordance with Title 2, Subtitle 2 of this article.
- 7                   (4)       Subject to Title 2, Subtitle 2 of this article, an appeal may be taken  
8 from a final order of the Commissioner to the Circuit Court for Baltimore City.
- 9       ~~[(f)]~~   (1)       In addition to any other penalty or remedy under this section, a  
10 person that is found to have gained financially from a violation of a provision of this  
11 article or a regulation adopted by the Commissioner shall forfeit the gain.
- 12       ~~[(g)]~~   (1)       This section does not prevent a person damaged by a director, officer,  
13 manager, employee, or agent of a corporation subject to this subtitle from bringing a  
14 separate action in a court of competent jurisdiction.
- 15 14-504.
- 16       (a)       (1)       There is a Maryland Health Insurance Plan Fund.
- 17                   (2)       The Fund is a special nonlapsing fund that is not subject to § 7-302 of  
18 the State Finance and Procurement Article.
- 19                   (3)       The Treasurer shall separately hold and the Comptroller shall  
20 account for the Fund.
- 21                   (4)       The Fund shall be invested and reinvested at the direction of the  
22 Board in a manner that is consistent with the requirements of Title 5, Subtitle 6 of  
23 this article.
- 24                   (5)       Any investment earnings shall be retained to the credit of the Fund.
- 25                   (6)       On an annual basis, the Fund shall be subject to an independent  
26 actuarial review setting forth an opinion relating to reserves and related actuarial  
27 items held in support of policies and contracts.
- 28                   (7)       The Fund shall be used only to provide funding for the purposes  
29 authorized under this subtitle.
- 30       (b)       The Fund shall consist of:
- 31                   (1)       premiums for coverage that the Plan issues;
- 32                   (2)       premiums paid by enrollees of the Senior Prescription Drug Program;





1           (6)     ~~OFFER A COMPREHENSIVE BENEFIT, OPEN ENROLLMENT PRODUCT~~  
2 ~~IN THE INDIVIDUAL MARKET;~~

3           (7)     ~~OFFER AN OPEN ENROLLMENT A PRODUCT IN THE SMALL~~  
4 ~~EMPLOYER GROUP MARKET;~~

5           (8)     ~~PARTNER WITH THE STATE AND OTHER PUBLIC OR PRIVATE~~  
6 ~~ENTITIES TO PROVIDE SERVICES OR ADMINISTER PROGRAMS TO ADDRESS~~  
7 ~~COMMUNITY HEALTH CARE NEEDS; AND~~

8           (9)     ~~CONTINUE SUBSIDIZATION OF THE SENIOR PRESCRIPTION DRUG~~  
9 ~~PROGRAM ESTABLISHED UNDER TITLE 14, SUBTITLE 5, PART II OF THE INSURANCE~~  
10 ~~ARTICLE.~~

11       (G)   (1)     ~~SUBJECT TO § 2-1246 OF THIS TITLE, THE COMMITTEE SHALL SUBMIT~~  
12 ~~AN ANNUAL REPORT TO THE GENERAL ASSEMBLY ON OR BEFORE DECEMBER 1 OF~~  
13 ~~EACH YEAR.~~

14           (2)     ~~THE REPORT SHALL INCLUDE THE FINDINGS AND~~  
15 ~~RECOMMENDATIONS OF THE COMMITTEE WITH REGARD TO THE EXAMINATION AND~~  
16 ~~EVALUATION CARRIED OUT UNDER SUBSECTION (F) OF THE SECTION.~~

17       ~~SECTION 2. AND BE IT FURTHER ENACTED, That:~~

18       (a)     ~~The terms of 11 of the CareFirst, Inc. Board Members shall terminate on~~  
19 ~~September 30, 2003.~~

20       (b)     ~~The terms of the remaining 10 members shall terminate as follows:~~

21           (1)     ~~four on September 30, 2004;~~

22           (2)     ~~three on September 30, 2005; and~~

23           (3)     ~~three on September 30, 2006.~~

24       (e)     ~~On or before October 1, 2003, the remaining Board Members shall select~~  
25 ~~an additional five members to serve a 4 year term.~~

26       (d)     ~~The Board shall select members to replace members whose terms expire as~~  
27 ~~provided in subsection (b) of this section.~~

28       ~~SECTION 2. AND BE IT FURTHER ENACTED, That:~~

29       (a)     ~~Notwithstanding the provisions of § 14-115(d)(2) and (4) of the Insurance~~  
30 ~~Article, as enacted by Section 1 of this Act, ten board members representing a~~  
31 ~~corporation that is organized under the laws of the State and that is subject to the~~  
32 ~~provisions of § 14-115(d) of the Insurance Article, as enacted by Section 1 of this Act,~~  
33 ~~shall be removed from the board of directors and replaced on or before December 1,~~  
34 ~~2003, as provided in subsection (b) of this section.~~

1       (b)     (1)     ~~The ten members removed under subsection (a) of this section shall~~  
2 ~~be replaced by a nominating committee appointed by the Governor, President of the~~  
3 ~~Senate of Maryland, and Speaker of the House of Delegates.~~

4               (2)     ~~The nominating committee shall be appointed on or before June 30,~~  
5 ~~2003, and shall consist of nine members, of whom:~~

6                       (i)     ~~three, including no more than one health care provider, are~~  
7 ~~appointed by the Governor;~~

8                       (ii)    ~~three, including no more than one health care provider, are~~  
9 ~~appointed by the President of the Senate; and~~

10                      (iii)   ~~three, including no more than one health care provider, are~~  
11 ~~appointed by the Speaker of the House.~~

12               (3)     (i)     ~~The nominating committee shall request from the current board~~  
13 ~~names of individuals the board recommends for board membership, for the~~  
14 ~~nominating committee to accept or reject, until the ten members removed under~~  
15 ~~subsection (a) of this section have been replaced.~~

16                      (ii)    ~~The individuals recommended under subparagraph (i) of this~~  
17 ~~paragraph shall:~~

18                               1.     ~~include two consumer members; and~~

19                               2.     ~~comply with the provisions of § 14-115(c)(11) of the~~  
20 ~~Insurance Article, as enacted by Section 1 of this Act.~~

21                      (iii)   ~~Notwithstanding subparagraph (i) of this paragraph, the~~  
22 ~~nominating committee may consider nominations from any source for membership to~~  
23 ~~the board.~~

24       (c)     ~~A member of the nominating committee may not be a candidate for~~  
25 ~~membership on the board.~~

26       (d)     ~~This section does not apply to those members who serve on the board of~~  
27 ~~directors of a corporation that is subject to the provisions of § 14-115(d) of the~~  
28 ~~Insurance Article, as enacted by Section 1 of this Act, who represent a corporation~~  
29 ~~that is not organized under the laws of the State.~~

30     ~~SECTION 3. AND BE IT FURTHER ENACTED, That:~~

31       (a)     ~~Two board members representing a corporation that is organized under the~~  
32 ~~laws of the State and that is subject to the provisions of § 14-115(d) of the Insurance~~  
33 ~~Article, as enacted by Section 1 of this Act, shall be removed from the board of~~  
34 ~~directors and replaced on or before June 1, 2004.~~

35       (b)     ~~The board members who serve on the board of a corporation subject to the~~  
36 ~~provisions of § 14-115(d) of the Insurance Article, as enacted by Section 1 of this Act,~~

1 ~~and who represent a corporation that is not organized under the laws of the State~~  
2 ~~shall be removed and replaced on or before December 1, 2006.~~

3 ~~SECTION 4. AND BE IT FURTHER ENACTED, That the board of directors of~~  
4 ~~a corporation subject to the provisions of § 14-115(d) of the Insurance Article, as~~  
5 ~~enacted by Section 1 of this Act, shall develop a plan to stagger the terms of the voting~~  
6 ~~members of the board so that the terms of:~~

7 (1) ~~five members will terminate on December 1, 2005;~~

8 (2) ~~five members will terminate on December 1, 2006;~~

9 (3) ~~five members will terminate on December 1, 2007; and~~

10 (4) ~~six members will terminate on December 1, 2008.~~

11 ~~SECTION 5. AND BE IT FURTHER ENACTED, That, for a period of 5 years~~  
12 ~~after the effective date of this Act:~~

13 (1) ~~a person may not file an application for the acquisition of a nonprofit~~  
14 ~~health service plan subject to the provisions of § 14-115(d) of the Insurance Article, as~~  
15 ~~enacted by Section 1 of this Act, and a nonprofit health service plan subject to the~~  
16 ~~provisions of § 14-115(d) of the Insurance Article, as enacted by Section 1 of this Act,~~  
17 ~~may not be acquired, under Title 6.5 of the State Government Article; and~~

18 (2) ~~the Insurance Commissioner may not approve an application for the~~  
19 ~~acquisition of a nonprofit health service plan subject to the provisions of § 14-115(d)~~  
20 ~~of the Insurance Article, as enacted by Section 1 of this Act.~~

21 ~~SECTION 6. AND BE IT FURTHER ENACTED, That the provisions of §~~  
22 ~~14-139(e) of the Insurance Article, as enacted by Section 1 of this Act, shall apply to~~  
23 ~~any existing compensation agreement, including an agreement for termination,~~  
24 ~~severance, performance bonuses, or supplemental executive retirement benefits,~~  
25 ~~between a corporation organized under the laws of this State and subject to §~~  
26 ~~14-115(d) of the Insurance Article, as enacted by Section 1 of this Act, and an officer,~~  
27 ~~director, trustee, or employee of the corporation.~~

28 ~~SECTION 7. AND BE IT FURTHER ENACTED, That a member of the board of~~  
29 ~~directors of a corporation organized under the laws of this State and subject to §~~  
30 ~~14-115(d) of the Insurance Article, as enacted by Section 1 of this Act, who is a~~  
31 ~~member of the board of directors on the effective date of this Act is prohibited from~~  
32 ~~-serving on the board of directors of the corporation after removal from the board~~  
33 ~~under the provisions of Section 2 of this Act.~~

34 ~~SECTION 8. AND BE IT FURTHER ENACTED, That it is the intent of the~~  
35 ~~General Assembly to encourage a nonprofit health service plan that is subject to §~~  
36 ~~14-115(d) of the Insurance Article, as enacted by Section 1 of this Act, to participate~~  
37 ~~in public programs, such as Medicaid and Medicare, when such participation is~~  
38 ~~consistent with the mission of the nonprofit health service plan and does not impair~~  
39 ~~the financial condition of the nonprofit health service plan.~~

1 ~~SECTION 9. AND BE IT FURTHER ENACTED, That a nonprofit health service~~  
 2 ~~plan that is subject to § 14-115(d) of the Insurance Article, as enacted by Section 1 of~~  
 3 ~~this Act, shall:~~

4 ~~(1) work with the Maryland Insurance Administration, the Department~~  
 5 ~~of Aging, and other appropriate entities to study, and if feasible and desirable develop,~~  
 6 ~~a State arrangement to offer health insurance coverage to individuals who are eligible~~  
 7 ~~for the federal tax credit under § 35 of the Internal Revenue Code; and~~

8 ~~(2) on or before August 1, 2003, in accordance with § 2-1246 of the State~~  
 9 ~~Government Article, report to the Senate Finance Committee and the House Health~~  
 10 ~~and Government Operations Committee on the results of its study.~~

11 ~~SECTION 3. 10. AND BE IT FURTHER ENACTED, That this Act shall take~~  
 12 ~~effect June 1, 2003. Section 6 of this Act shall remain effective for a period of 5 years~~  
 13 ~~and, at the end of May 31, 2008, with no further action required by the General~~  
 14 ~~Assembly, Section 6 of this Act shall be abrogated and of no further force and effect.~~

15 Article - Insurance

16 14-102.

17 (A) THE PURPOSE OF THIS SUBTITLE IS:

18 (1) TO REGULATE THE FORMATION AND OPERATION OF NONPROFIT  
 19 HEALTH SERVICE PLANS IN THE STATE; AND

20 (2) TO PROMOTE THE FORMATION AND EXISTENCE OF NONPROFIT  
 21 HEALTH SERVICE PLANS IN THE STATE THAT:

22 (I) ARE COMMITTED TO A NONPROFIT CORPORATE STRUCTURE;

23 (II) SEEK TO PROVIDE INDIVIDUALS, BUSINESSES, AND OTHER  
 24 GROUPS WITH AFFORDABLE AND ACCESSIBLE HEALTH INSURANCE; AND

25 (III) RECOGNIZE A RESPONSIBILITY TO CONTRIBUTE TO THE  
 26 IMPROVEMENT OF THE OVERALL HEALTH STATUS OF MARYLAND RESIDENTS.

27 (B) A NONPROFIT HEALTH SERVICE PLAN THAT COMPLIES WITH THE  
 28 PROVISIONS OF THIS SUBTITLE IS DECLARED TO BE A PUBLIC BENEFIT  
 29 CORPORATION THAT IS EXEMPT FROM TAXATION AS PROVIDED BY LAW.

30 (C) THE MISSION OF A NONPROFIT HEALTH SERVICE PLAN SHALL BE TO:

31 (1) PROVIDE AFFORDABLE AND ACCESSIBLE HEALTH INSURANCE TO  
 32 THE PLAN'S INSURED AND THOSE PERSONS INSURED OR ISSUED HEALTH BENEFIT  
 33 PLANS BY AFFILIATES OR SUBSIDIARIES OF THE PLAN;

34 (2) ASSIST AND SUPPORT PUBLIC AND PRIVATE HEALTH CARE  
 35 INITIATIVES FOR INDIVIDUALS WITHOUT HEALTH INSURANCE; AND

1           (3)     PROMOTE THE INTEGRATION OF A STATEWIDE HEALTH CARE  
2 SYSTEM THAT MEETS THE HEALTH CARE NEEDS OF ALL MARYLAND RESIDENTS.

3     (D)     A NONPROFIT HEALTH SERVICE PLAN:

4           (1)     SHALL DEVELOP GOALS, OBJECTIVES, AND STRATEGIES FOR  
5 CARRYING OUT ITS STATUTORY MISSION;

6           (2)     BEGINNING ON DECEMBER 1, 2003, AND CONTINUING THROUGH  
7 JUNE 30, 2005, SHALL REPORT QUARTERLY, FOR THE PRECEDING QUARTER, TO THE  
8 JOINT NONPROFIT HEALTH SERVICE PLAN OVERSIGHT COMMITTEE ON THE  
9 NONPROFIT HEALTH SERVICE PLAN'S COMPLIANCE WITH THE PROVISIONS OF THIS  
10 SUBTITLE; AND

11          (3)     SHALL PROVIDE TO THE JOINT NONPROFIT HEALTH SERVICE PLAN  
12 OVERSIGHT COMMITTEE ANY OTHER INFORMATION NECESSARY FOR THE  
13 COMMITTEE TO MEET THE GOALS OUTLINED UNDER § 2-10A-08 OF THE STATE  
14 GOVERNMENT ARTICLE.

15     (E)     ON OR BEFORE DECEMBER 1, 2005, AND ANNUALLY THEREAFTER, THE  
16 COMMISSIONER SHALL REPORT TO THE GOVERNOR AND, IN ACCORDANCE WITH §  
17 2-1246 OF THE STATE GOVERNMENT ARTICLE, THE SENATE FINANCE COMMITTEE  
18 AND THE HOUSE HEALTH AND GOVERNMENT OPERATIONS COMMITTEE, ON THE  
19 COMPLIANCE OF A NONPROFIT HEALTH SERVICE PLAN SUBJECT TO § 14-115(D) OF  
20 THIS SUBTITLE WITH THE PROVISIONS OF THIS SUBTITLE.

21     (F)     THIS SECTION APPLIES TO:

22          (1)     A NONPROFIT HEALTH SERVICE PLAN THAT IS ISSUED A  
23 CERTIFICATE OF AUTHORITY IN THE STATE, WHETHER OR NOT ORGANIZED UNDER  
24 THE LAWS OF THE STATE; AND

25          (2)     AN INSURER OR A HEALTH MAINTENANCE ORGANIZATION,  
26 WHETHER OR NOT ORGANIZED AS A NONPROFIT CORPORATION, THAT IS WHOLLY  
27 OWNED OR CONTROLLED BY A NONPROFIT HEALTH SERVICE PLAN THAT IS ISSUED A  
28 CERTIFICATE OF AUTHORITY IN THE STATE.

29     (G)     A corporation without capital stock organized for the purpose of  
30 establishing, maintaining, and operating a nonprofit health service plan through  
31 which health care providers provide health care services to subscribers to the plan  
32 under contracts that entitle each subscriber to certain health care services shall be  
33 governed and regulated by:

34          (1)     this subtitle;

35          (2)     Title 2, Subtitle 2 of this article and §§ 1-206, 3-127, and 12-210 of  
36 this article;

37          (3)     Title 2, Subtitle 5 of this article;

- 1           (4)     §§ 4-113 and 4-114 of this article;
- 2           (5)     Title 5, Subtitles 1, 2, 3, 4, and 5 of this article;
- 3           (6)     Title 7 of this article, except for § 7-706 and Subtitle 2 of Title 7;
- 4           (7)     Title 9, Subtitles 1, 2, and 4 of this article;
- 5           (8)     Title 10, Subtitle 1 of this article;
- 6           (9)     Title 27 of this article; and
- 7           (10)  any other provision of this article that:
- 8                   (i)     is expressly referred to in this subtitle;
- 9                   (ii)  expressly refers to this subtitle; or
- 10                   (iii) expressly refers to nonprofit health service plans or persons
- 11 subject to this subtitle.

12    (H)     THE PROVISIONS OF SUBSECTIONS (D) AND (E) OF THIS SECTION AND §§  
 13 14-106, 14-115(D), (E), (F), AND (G), AND 14-139(D) AND (E) OF THIS SUBTITLE DO NOT  
 14 APPLY TO A NONPROFIT HEALTH SERVICE PLAN THAT INSURES BETWEEN 1 AND  
 15 10,000 COVERED LIVES IN MARYLAND OR ISSUES CONTRACTS FOR ONLY ONE OF THE  
 16 FOLLOWING SERVICES:

- 17           (1)     PODIATRIC;
- 18           (2)     CHIROPRACTIC;
- 19           (3)     PHARMACEUTICAL;
- 20           (4)     DENTAL;
- 21           (5)     PSYCHOLOGICAL; OR
- 22           (6)     OPTOMETRIC.

23 14-106.

24    (a)     It is the public policy of this State that the exemption from taxation for  
 25 nonprofit health service plans under § 6-101(b)(1) of this article is granted so that  
 26 funds which would otherwise be collected by the State and spent for a public purpose  
 27 shall be used in a like manner and amount by the nonprofit health service plan.

28    (b)     [This section does not apply to a nonprofit health service plan that insures  
 29 fewer than 10,000 covered lives in Maryland.

1 (c)] By March 1 of each year or a deadline otherwise imposed by the  
 2 Commissioner for good cause, each nonprofit health service plan shall file with the  
 3 Commissioner a premium tax exemption report that:

4 (1) is in a form approved by the Commissioner; and

5 (2) demonstrates that the plan has used funds equal to the value of the  
 6 premium tax exemption provided to the plan under § 6-101(b) of this article, in a  
 7 manner that serves the public interest in accordance with [subsections (d) and (e) of]  
 8 this section.

9 [(d)] (C) A nonprofit health service plan may satisfy the public service  
 10 requirement [in subsection (c)(2)] of this section by establishing that, TO THE EXTENT  
 11 THE VALUE OF THE NONPROFIT HEALTH SERVICE PLAN'S PREMIUM TAX EXEMPTION  
 12 UNDER § 6-101(B) OF THIS ARTICLE EXCEEDS THE SUBSIDY REQUIRED UNDER THE  
 13 SENIOR PRESCRIPTION DRUG PROGRAM ESTABLISHED UNDER SUBTITLE 5, PART II  
 14 OF THIS TITLE, the plan has:

15 (1) increased access to, or the affordability of, one or more health care  
 16 products or services by offering and selling health care products or services that are not  
 17 required or provided for by law; [or]

18 (2) PROVIDED FINANCIAL OR IN-KIND SUPPORT FOR PUBLIC HEALTH  
 19 PROGRAMS;

20 (3) EMPLOYED UNDERWRITING STANDARDS IN A MANNER THAT  
 21 INCREASES THE AVAILABILITY OF ONE OR MORE HEALTH CARE SERVICES OR  
 22 PRODUCTS;

23 (4) EMPLOYED PRICING POLICIES THAT ENHANCE THE AFFORDABILITY  
 24 OF HEALTH CARE SERVICES OR PRODUCTS AND RESULT IN A HIGHER MEDICAL LOSS  
 25 RATIO THAN THAT ESTABLISHED BY A COMPARABLE FOR-PROFIT HEALTH INSURER;  
 26 OR

27 [(2)] (5) served the public interest by any method or practice approved by  
 28 the Commissioner.

29 [(e)] (D) [(1)] [A] NOTWITHSTANDING SUBSECTION (C) OF THIS SECTION, A  
 30 nonprofit health service plan that is subject to this section and issues comprehensive  
 31 health care benefits in the State shall:

32 (1) OFFER HEALTH CARE PRODUCTS IN THE INDIVIDUAL MARKET;

33 (2) OFFER HEALTH CARE PRODUCTS IN THE SMALL EMPLOYER GROUP  
 34 MARKET IN ACCORDANCE WITH TITLE 15, SUBTITLE 12 OF THIS ARTICLE; AND

35 (3) administer and subsidize the Senior Prescription Drug Program  
 36 established under Title 14, Subtitle 5, Part II of this title.

1 [(2)] (E) The subsidy required under the Senior Prescription Drug  
2 Program may not exceed the value of the nonprofit health service plan's premium tax  
3 exemption under § 6-101(b) of this article.

4 (f) (1) [Each] SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, EACH  
5 report filed with the Commissioner under subsection [(c)] (B) of this section is a public  
6 record.

7 (2) IN ACCORDANCE WITH § 10-617(D) OF THE STATE GOVERNMENT  
8 ARTICLE, THE COMMISSIONER SHALL DENY INSPECTION OF ANY PART OF A REPORT  
9 FILED UNDER SUBSECTION (B) OF THIS SECTION THAT THE COMMISSIONER  
10 DETERMINES CONTAINS CONFIDENTIAL COMMERCIAL INFORMATION OR  
11 CONFIDENTIAL FINANCIAL INFORMATION.

12 14-107.

13 (a) By November 1 of each year, the Commissioner shall issue an order  
14 notifying each nonprofit health service plan that is required to file a report under §  
15 14-106 of this subtitle of whether the plan has satisfied the requirements of § 14-106  
16 of this subtitle.

17 (b) [(1)] If the Commissioner determines that a nonprofit health service plan  
18 has not satisfied the requirements of § 14-106 of this subtitle, [the nonprofit health  
19 service plan shall have 1 year from the date the Commissioner issued the order under  
20 subsection (a) of this section to comply with the requirements of § 14-106 of this  
21 subtitle.

22 (2) If after the time period provided under paragraph (1) of this  
23 subsection the Commissioner determines that a nonprofit health service plan has not  
24 satisfied the requirements of § 14-106 of this subtitle:

25 (i) the Commissioner shall report the determination to the House  
26 Economic Matters Committee and the Senate Finance Committee, including the  
27 reasons for the determination; and

28 (ii) if required by an act of the General Assembly, the nonprofit  
29 health service plan shall be subject to] THE COMMISSIONER SHALL ISSUE AN ORDER  
30 REQUIRING THE NONPROFIT HEALTH SERVICE PLAN TO PAY the premium tax under  
31 Title 6, Subtitle 1 of this article:

32 (1) FOR A PERIOD OF TIME BEGINNING WITH THE DATE THE PLAN WAS  
33 DETERMINED TO BE OUT OF COMPLIANCE WITH § 14-106 OF THIS SUBTITLE; AND

34 (2) IN AN AMOUNT EQUAL TO THE AMOUNT BY WHICH THE VALUE OF  
35 THE NONPROFIT HEALTH SERVICE PLAN'S PREMIUM TAX EXEMPTION UNDER §  
36 6-101(B) OF THIS ARTICLE EXCEEDS THE SUM OF:

37 (1) THE SUBSIDY REQUIRED UNDER THE SENIOR PRESCRIPTION  
38 DRUG PROGRAM ESTABLISHED UNDER SUBTITLE 5, PART II OF THIS TITLE; AND

1                    (II)       OTHER FUNDS USED BY THE NONPROFIT HEALTH SERVICE  
2 PLAN TO MEET THE PUBLIC SERVICE REQUIREMENT UNDER § 14-106 OF THIS  
3 SUBTITLE.

4       (c)       A nonprofit health service plan that fails to timely file the report required  
5 under § 14-106 of this subtitle shall pay the penalties under § 14-121 of this subtitle.

6       (d)       A party aggrieved by an order of the Commissioner issued under this  
7 section has a right to a hearing in accordance with §§ 2-210 through 2-215 of this  
8 article.

9       (E)       PREMIUM TAX REVENUE COLLECTED BY THE ADMINISTRATION AS THE  
10 RESULT OF AN ORDER ISSUED UNDER SUBSECTION (B) OF THIS SECTION SHALL BE  
11 DEPOSITED INTO THE MARYLAND HEALTH INSURANCE PLAN FUND ESTABLISHED  
12 UNDER § 14-504 OF THIS TITLE.

13 14-109.

14       An applicant for a certificate of authority shall:

15               (1)       file with the Commissioner an application on the form that the  
16 Commissioner provides containing the information that the Commissioner considers  
17 necessary;

18               (2)       pay to the Commissioner the applicable fee required by § 2-112 of this  
19 article; and

20               (3)       file with the Commissioner copies of the following documents, certified  
21 by at least two of the executive officers of the corporation:

22                       (i)       articles of incorporation, INCLUDING THE APPLICANT'S  
23 CORPORATE MISSION STATEMENT, with all amendments;

24                       (ii)       bylaws with all amendments;

25                       (iii)       each contract executed or proposed to be executed by the  
26 corporation and a health care provider, embodying the terms under which health care  
27 services are to be furnished to subscribers to the plan;

28                       (iv)       each form of contract issued or proposed to be issued to  
29 subscribers to the plan and a table of the rates charged or proposed to be charged to  
30 subscribers for each form of contract;

31                       (v)       a financial statement of the corporation, including the amount of  
32 each contribution paid or agreed to be paid to the corporation for working capital, the  
33 name of each contributor, and the terms of each contribution;

34                       (vi)       a list of the names and addresses of and biographical  
35 information about the members of the board of directors of the [nonprofit health  
36 service plan] CORPORATION; [and]

1 (VII) A LIST OF THE TOTAL COMPENSATION PAID OR PROPOSED TO  
 2 BE PAID TO EACH OFFICER AND MEMBER OF THE BOARD OF DIRECTORS OF THE  
 3 CORPORATION;

4 (VIII) A LIST OF THE BEGINNING AND ENDING TERMS OF  
 5 MEMBERSHIP FOR EACH MEMBER OF THE BOARD OF DIRECTORS OF THE  
 6 CORPORATION; AND

7 [(vii)] (IX) any other information or documents that the Commissioner  
 8 considers necessary to ensure compliance with this subtitle.

9 14-110.

10 (A) The Commissioner shall issue a certificate of authority to an applicant if:

11 (1) the applicant has paid the applicable fee required by § 2-112 of this  
 12 article; and

13 (2) the Commissioner is satisfied:

14 (i) that the applicant has been organized in good faith for the  
 15 purpose of establishing, maintaining, and operating a nonprofit health service plan  
 16 THAT:

17 1. IS COMMITTED TO A NONPROFIT CORPORATE  
 18 STRUCTURE;

19 2. IN ACCORDANCE WITH THE CHARTER OF THE NONPROFIT  
 20 HEALTH SERVICE PLAN, SEEKS TO PROVIDE AFFORDABLE AND ACCESSIBLE HEALTH  
 21 INSURANCE; AND

22 3. RECOGNIZES A RESPONSIBILITY TO CONTRIBUTE TO THE  
 23 IMPROVEMENT OF THE OVERALL HEALTH STATUS OF MARYLAND RESIDENTS;

24 (ii) that:

25 1. each contract executed or proposed to be executed by the  
 26 applicant and a health care provider to furnish health care services to subscribers to  
 27 the nonprofit health service plan, obligates or, when executed, will obligate each health  
 28 care provider party to the contract to render the health care services to which each  
 29 subscriber is entitled under the terms and conditions of the various contracts issued or  
 30 proposed to be issued by the applicant to subscribers to the plan; and

31 2. each subscriber is entitled to reimbursement for podiatric,  
 32 chiropractic, psychological, or optometric services, regardless of whether the service is  
 33 performed by a licensed physician, licensed podiatrist, licensed chiropractor, licensed  
 34 psychologist, or licensed optometrist;

35 (iii) that:

1 1. each contract issued or proposed to be issued to subscribers  
 2 to the plan is in a form approved by the Commissioner; and

3 2. the rates charged or proposed to be charged for each form of  
 4 each contract are fair and reasonable;

5 (iv) that the applicant has a surplus, as defined in § 14-117 of this  
 6 subtitle, of the greater of:

7 1. \$100,000; and

8 2. an amount equal to that required under § 14-117 of this  
 9 subtitle; and

10 (v) that, except for a nonprofit health service plan that insures  
 11 [fewer than] BETWEEN 1 AND 10,000 covered lives in the State, the nonprofit health  
 12 service plan's corporate headquarters is located in the State.

13 (B) IF THE COMMISSIONER DETERMINES THAT A NONPROFIT HEALTH  
 14 SERVICES PLAN DOES NOT CONTINUE TO SATISFY THE REQUIREMENTS OF THIS  
 15 SUBTITLE, THE COMMISSIONER MAY DISAPPROVE THE RENEWAL OF THE  
 16 CERTIFICATE OF AUTHORITY OF THE NONPROFIT HEALTH SERVICE PLAN.

17 14-111.

18 [A] SUBJECT TO THE AUTHORITY OF THE COMMISSIONER TO REGULATE  
 19 NONPROFIT HEALTH SERVICE PLANS UNDER THIS ARTICLE, A certificate of authority  
 20 issued under this subtitle authorizes a corporation to:

21 (1) issue contracts in the form filed with the Commissioner to persons  
 22 that become subscribers to the plan;

23 (2) FINANCE CAPITAL IMPROVEMENT PROJECTS THROUGH THE  
 24 MARYLAND HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY AS  
 25 PROVIDED UNDER ARTICLE 43C OF THE CODE;

26 (3) FINANCE CAPITAL IMPROVEMENT PROJECTS THROUGH THE  
 27 MARYLAND ECONOMIC DEVELOPMENT CORPORATION AS PROVIDED UNDER  
 28 ARTICLE 83A, TITLE 5, SUBTITLE 2 OF THE CODE; AND

29 (4) PARTNER WITH THE STATE AND OTHER PUBLIC OR PRIVATE  
 30 ENTITIES TO PROVIDE SERVICES OR ADMINISTER PROGRAMS INTENDED TO  
 31 ADDRESS COMMUNITY HEALTH CARE NEEDS.

32 14-115.

33 (a) (1) In this section the following words have the meanings indicated.

34 (2) "Board" means the board of directors of a nonprofit health service  
 35 plan.

1           (3)       "Immediate family member" means a spouse, child, child's spouse,  
2 parent, spouse's parent, sibling, or sibling's spouse.

3       (b)       [Subsections (c) through (f) of this section apply] THIS SECTION APPLIES  
4 to a nonprofit health service plan that is [incorporated under the laws of the State and  
5 operates under a certificate of authority issued by the Commissioner under this  
6 subtitle] ISSUED A CERTIFICATE OF AUTHORITY IN THE STATE, WHETHER OR NOT  
7 ORGANIZED UNDER THE LAWS OF THIS STATE.

8       (c)       (1)       The business and affairs of a nonprofit health service plan shall be  
9 managed under the direction of a board of directors.

10           (2)       The board and its individual members are fiduciaries and shall act:

11                   (i)       in good faith;

12                   (ii)       in a manner that is reasonably believed to be in the best interests  
13 of the corporation AND ITS CONTROLLED AFFILIATES OR SUBSIDIARIES THAT OFFER  
14 HEALTH BENEFIT PLANS; [and]

15                   (III)       IN A MANNER THAT IS REASONABLY BELIEVED TO BE IN  
16 FURTHERANCE OF THE CORPORATION'S NONPROFIT MISSION; AND

17                   [(iii)]   (IV)       with the care that an ordinarily prudent person in a like  
18 position would use under similar circumstances.

19           (3)       THE PRINCIPAL FUNCTIONS OF THE BOARD SHALL INCLUDE:

20                   (I)       ENSURING THAT THE CORPORATION EFFECTIVELY CARRIES  
21 OUT THE NONPROFIT MISSION ESTABLISHED UNDER § 14-102(C) OF THIS SUBTITLE;

22                   (II)       SELECTING CORPORATE MANAGEMENT AND EVALUATING ITS  
23 PERFORMANCE;

24                   (III)       ENSURING TO THE EXTENT PRACTICABLE THAT HUMAN  
25 RESOURCES AND OTHER RESOURCES ARE SUFFICIENT TO MEET CORPORATE  
26 OBJECTIVES;

27                   (IV)       SUBJECT TO THE PROVISIONS OF SUBSECTION (D) OF THIS  
28 SECTION, NOMINATING AND SELECTING SUITABLE CANDIDATES FOR THE BOARD;  
29 AND

30                   (V)       ESTABLISHING A SYSTEM OF GOVERNANCE AT THE BOARD  
31 LEVEL, INCLUDING AN ANNUAL EVALUATION OF BOARD PERFORMANCE.

32           (4)       EACH MEMBER OF THE BOARD SHALL DEMONSTRATE A  
33 COMMITMENT TO THE MISSION OF THE NONPROFIT HEALTH SERVICE PLAN.

34           [(3)]   (5)       An officer or employee of a nonprofit health service plan or any  
35 of its affiliates or subsidiaries may not be appointed or elected to the board.

1 ~~[(4)]~~ (6) A nonprofit health service plan is subject to the provisions of §  
2 2-419 of the Corporations and Associations Article.

3 (d) ~~[(1)]~~ This subsection does not apply to a board of a nonprofit health service  
4 plan that issues contracts for only one of the following services:

5 (i) podiatric;

6 (ii) chiropractic;

7 (iii) pharmaceutical;

8 (iv) dental;

9 (v) psychological; or

10 (vi) optometric.]

11 (1) THIS SUBSECTION APPLIES TO A CORPORATION THAT IS:

12 (I) ISSUED A CERTIFICATE OF AUTHORITY AS A NONPROFIT  
13 HEALTH SERVICE PLAN; AND

14 (II) THE SOLE MEMBER OF A CORPORATION ISSUED A  
15 CERTIFICATE OF AUTHORITY AS A NONPROFIT HEALTH SERVICE PLAN.

16 (2) THE BOARD SHALL BE COMPOSED OF NO MORE THAN 23 MEMBERS,  
17 INCLUDING:

18 (I) ONE NONVOTING MEMBER, WHO IS NOT A MEMBER OF THE  
19 MARYLAND GENERAL ASSEMBLY, APPOINTED BY AND SERVING AT THE PLEASURE  
20 OF THE PRESIDENT OF THE SENATE OF MARYLAND;

21 (II) ONE NONVOTING MEMBER, WHO IS NOT A MEMBER OF THE  
22 MARYLAND GENERAL ASSEMBLY, APPOINTED BY AND SERVING AT THE PLEASURE  
23 OF THE SPEAKER OF THE HOUSE OF DELEGATES; AND

24 (III) 21 MEMBERS SELECTED BY THE BOARD, INCLUDING TWO  
25 CONSUMER MEMBERS, WHO SATISFY THE REQUIREMENTS OF PARAGRAPHS (13), (14),  
26 AND (15) OF THIS SUBSECTION.

27 (3) NO MORE THAN FOUR MEMBERS OF THE BOARD MAY BE:

28 (I) LICENSED HEALTH CARE PROFESSIONALS;

29 (II) HOSPITAL ADMINISTRATORS; OR

30 (III) EMPLOYEES OF HEALTH CARE PROFESSIONALS OR HOSPITALS.

31 (4) TO THE EXTENT POSSIBLE, THE BOARD SHALL INCLUDE  
32 INDIVIDUALS WITH EXPERIENCE IN ACCOUNTING, INFORMATION TECHNOLOGY,

1 FINANCE, LAW, LARGE AND SMALL BUSINESSES, NONPROFIT BUSINESSES, AND  
2 ORGANIZED LABOR.

3 (5) EXCEPT FOR NONVOTING MEMBERS UNDER PARAGRAPH (2)(I) AND  
4 (II) OF THIS SUBSECTION, THE BOARD SHALL BE SELF-PERPETUATING.

5 (6) THE BOARD SHALL HAVE THE FOLLOWING STANDING COMMITTEES  
6 WHOSE DUTIES SHALL INCLUDE:

7 (I) AN AUDIT COMMITTEE RESPONSIBLE FOR ENSURING  
8 FINANCIAL ACCOUNTABILITY;

9 (II) A FINANCE COMMITTEE RESPONSIBLE FOR REVIEWING AND  
10 MAKING RECOMMENDATIONS ON THE ANNUAL BUDGET AND FOR DEVELOPING AND  
11 RECOMMENDING LONG-RANGE FINANCIAL OBJECTIVES;

12 (III) A COMPENSATION COMMITTEE RESPONSIBLE FOR  
13 DEVELOPING PROPOSED COMPENSATION GUIDELINES IN ACCORDANCE WITH §  
14 14-139(D) OF THIS SUBTITLE;

15 (IV) A NOMINATING COMMITTEE RESPONSIBLE FOR IDENTIFYING,  
16 EVALUATING, AND RECOMMENDING TO THE BOARD INDIVIDUALS QUALIFIED TO  
17 BECOME BOARD MEMBER, INCLUDING INDIVIDUALS WHO REPRESENT A  
18 CORPORATION FOR WHICH THE NONPROFIT HEALTH SERVICE PLAN IS THE SOLE  
19 MEMBER;

20 (V) A SERVICE AND QUALITY OVERSIGHT COMMITTEE  
21 RESPONSIBLE FOR ENSURING THAT POLICIES AND PROCESSES ARE IN EFFECT TO  
22 ASSESS AND IMPROVE THE QUALITY OF HEALTH INSURANCE PRODUCTS PROVIDED  
23 TO SUBSCRIBERS AND CERTIFICATE HOLDERS;

24 (VI) A MISSION OVERSIGHT COMMITTEE RESPONSIBLE FOR  
25 ENSURING THAT THE OFFICERS OF THE CORPORATION ACT IN ACCORDANCE WITH  
26 THE MISSION OF THE NONPROFIT HEALTH SERVICE PLAN;

27 (VII) A STRATEGIC PLANNING COMMITTEE RESPONSIBLE FOR  
28 EXAMINING LONG-RANGE PLANNING OBJECTIVES, ASSESSING STRATEGIES THAT  
29 MAY BE USED TO IMPLEMENT THE PLANNING OBJECTIVES, AND ANALYZING THE  
30 NONPROFIT HEALTH SERVICE PLAN'S ROLE IN THE INSURANCE MARKETPLACE; AND

31 (VIII) ANY OTHER COMMITTEE THAT THE BOARD DETERMINES IS  
32 NECESSARY TO CARRY OUT ITS DUTIES.

33 (7) EACH STANDING COMMITTEE SHALL HAVE REPRESENTATION FROM:

34 (I) THE VOTING MEMBERS UNDER PARAGRAPH (2) OF THIS  
35 SUBSECTION; AND

36 (II) EACH CORPORATION FOR WHICH THE NONPROFIT HEALTH  
37 SERVICE PLAN IS THE SOLE MEMBER.

1           (8)     THE COMPENSATION COMMITTEE AND THE NOMINATING  
 2 COMMITTEE SHALL EACH INCLUDE EITHER THE APPOINTEE OF THE PRESIDENT OF  
 3 THE SENATE OR THE APPOINTEE OF THE SPEAKER OF THE HOUSE OF DELEGATES.

4           (9)     EACH BOARD MEMBER SHALL SERVE ON AT LEAST ONE STANDING  
 5 COMMITTEE.

6           (10)    THE CHAIRMAN OF THE BOARD SHALL SELECT A CHAIRMAN FOR  
 7 EACH BOARD COMMITTEE.

8           (11)    (1)     BOARD APPROVAL IS REQUIRED FOR ANY ACTION BY THE  
 9 NONPROFIT HEALTH SERVICE PLAN, A CORPORATION FOR WHICH THE PLAN IS THE  
 10 SOLE MEMBER, OR ANY AFFILIATE OR SUBSIDIARY OF THE NONPROFIT HEALTH  
 11 SERVICE PLAN TO:

12                            1.     MODIFY BENEFIT LEVELS;

13                            2.     MATERIALLY MODIFY PROVIDER NETWORKS OR  
 14 PROVIDER REIMBURSEMENT;

15                            3.     MODIFY UNDERWRITING GUIDELINES;

16                            4.     MODIFY RATES OR RATING PLANS;

17                            5.     WITHDRAW A PRODUCT OR WITHDRAW FROM A LINE OR  
 18 TYPE OF BUSINESS OR GEOGRAPHIC REGION; OR

19                            6.     IMPACT THE AVAILABILITY OR AFFORDABILITY OF  
 20 HEALTH CARE IN THE STATE.

21                            (II)    A DECISION BY THE BOARD TO CONVERT TO A FOR PROFIT  
 22 ENTITY UNDER TITLE 6.5 OF THE STATE GOVERNMENT ARTICLE MAY BE REJECTED  
 23 BY ANY THREE MEMBERS OF THE BOARD.

24                            (III)   THE BOARD MAY DELEGATE APPROVAL FOR THE ACTIONS  
 25 LISTED IN SUBPARAGRAPH (1) OF THIS PARAGRAPH TO A STANDING COMMITTEE OF  
 26 THE BOARD.

27           (12)    THE BOARD SHALL TAKE AND RETAIN COMPLETE MINUTES OF ALL  
 28 BOARD AND COMMITTEE MEETINGS.

29                            [(2)]   The board shall appoint two additional members to serve as voting  
 30 consumer members.

31                            (3)]    (13)   Of the two consumer members, one shall be a subscriber and one  
 32 shall be a certificate holder of the nonprofit health service plan.

33                            [(4)]   (14)   Each consumer member of the board:

34                            (i)     shall be a member of the general public;

- 1                   (ii)     may not be considered an agent or employee of the State for any  
 2 purpose; and
- 3                   (iii)    is entitled to the same rights, powers, and privileges as the other  
 4 members of the board.
- 5                [(5)]   (15)   A consumer member of the board may not:
- 6                   (i)     be a licensee of or otherwise be subject to regulation by the  
 7 Commissioner;
- 8                   (ii)    be employed by or have a financial interest in:
- 9                                1.     a nonprofit health service plan or its affiliates or  
 10 subsidiaries; or
- 11                               2.     a person regulated under this article or the Health -  
 12 General Article; or
- 13                   (iii)    within [1 year] 3 YEARS before appointment, have been  
 14 employed by, had a financial interest in, or have received compensation from:
- 15                               1.     a nonprofit health service plan or its affiliates or  
 16 subsidiaries; or
- 17                               2.     a person regulated under this article or the Health -  
 18 General Article.
- 19       (e)       (1)     This subsection does not apply to a board that has fewer than three  
 20 authorized members.
- 21                (2)     The term of a member is 3 years.
- 22                (3)     The terms of the members of a board shall be staggered over a 3-year  
 23 period as required by the terms provided for members of the board in the bylaws filed  
 24 and approved by the Commissioner on or after June 1, [1993] 2003.
- 25                (4)     At the end of a term, a member continues to serve until a successor is  
 26 appointed and qualifies.
- 27                (5)     A member who is appointed after a term has begun serves only for the  
 28 rest of the term and until a successor is appointed and qualifies.
- 29                (6)     A member may not serve for more than:
- 30                   (i)     [three] TWO full terms; or
- 31                   (ii)    a total of more than [9] 6 years.
- 32                (7)     A person may not be a member of the board if the person:

- 1                   (i)     has defaulted on the payment of a monetary obligation to the  
2 nonprofit health service plan;
- 3                   (ii)    has been convicted of a criminal offense involving dishonesty or  
4 breach of trust or a felony; [or]
- 5                   (iii)   habitually has neglected to pay debts; OR
- 6                   (IV)   HAS BEEN PROHIBITED UNDER ANY FEDERAL SECURITIES LAW  
7 FROM ACTING AS A DIRECTOR OR OFFICER OF ANY CORPORATION.
- 8                 (8)     A member shall meet any other qualifications set forth in the bylaws  
9 of the nonprofit health service plan.
- 10                (9)     A member may not be an immediate family member of another board  
11 member or an officer or employee of the nonprofit health service plan.
- 12                (10)    The board shall elect a chairman from among its members.
- 13                (11)    (I)     The [membership] COMPOSITION of the board shall represent  
14 the [different] RACIAL AND GENDER [geographic regions] DIVERSITY of the State.
- 15                (11)    (II)    THE BOARD SHALL INCLUDE REPRESENTATION FROM EACH  
16 GEOGRAPHIC REGION OF THE STATE.
- 17                (f)     The board shall notify the Commissioner of any member who attends less  
18 than 65% of the meetings of the board during a period of 12 consecutive months.
- 19                (G)    (1)     EXCLUDING REIMBURSEMENT FOR ORDINARY AND NECESSARY  
20 EXPENSES, A BOARD MEMBER, IN ANY CALENDAR YEAR, MAY RECEIVE  
21 COMPENSATION NOT TO EXCEED:
- 22                   (I)     \$15,000 FOR THE CHAIRMAN OF THE BOARD OR A BOARD  
23 MEMBER WHO IS THE CHAIRMAN OF A COMMITTEE; OR
- 24                   (II)    \$12,000 FOR A BOARD MEMBER WHO IS NOT THE CHAIRMAN OF  
25 THE BOARD OR A BOARD COMMITTEE.
- 26                (2)     A BOARD MEMBER MAY NOT RECEIVE MORE THAN THE AMOUNT  
27 SPECIFIED IN PARAGRAPH (1) OF THIS SUBSECTION FOR SERVING ON MORE THAN  
28 ONE BOARD OF A CORPORATION SUBJECT TO THIS SECTION.
- 29                (3)    (I)     THIS PARAGRAPH APPLIES TO A CORPORATION THAT IS:
- 30                            1.     ISSUED A CERTIFICATE OF AUTHORITY AS A NONPROFIT  
31 HEALTH SERVICE PLAN; AND
- 32                            2.     THE SOLE MEMBER OF A CORPORATION ISSUED A  
33 CERTIFICATE OF AUTHORITY AS A NONPROFIT HEALTH SERVICE PLAN.

1 (II) ON OR BEFORE MARCH 1, 2004, AND ANNUALLY THEREAFTER, A  
 2 CORPORATION SUBJECT TO THIS PARAGRAPH SHALL REPORT TO THE  
 3 COMMISSIONER ON THE AMOUNT OF THE ORDINARY AND NECESSARY EXPENSES  
 4 PAID TO EACH BOARD MEMBER IN THE PRECEDING CALENDAR YEAR.

5 [(g) (1) This subsection does not apply to a board of a nonprofit health service  
 6 plan that has a premium income for the preceding year of less than \$30,000,000.

7 (2) No more than 25% of a board may be:

8 (i) licensed health care professionals;

9 (ii) hospital administrators; and

10 (iii) employees of health care professionals or hospitals.

11 (3) The Commissioner may adopt regulations that limit the  
 12 representation of licensed health care professionals, hospital administrators, and  
 13 employees of health care professionals or hospitals on a subcommittee of the board in  
 14 accordance with paragraph (2) of this subsection.]

15 14-116.

16 (a) (1) In this section, "unsound or unsafe business practice" means a  
 17 business practice that:

18 (i) is detrimental to the financial condition of a nonprofit health  
 19 service plan and does not conform to sound industry practice; [or]

20 (ii) impairs the ability of a nonprofit health service plan to pay  
 21 subscriber benefits; OR

22 (III) VIOLATES § 14-102, § 14-115, OR § 14-139(C) OF THIS SUBTITLE.

23 (2) "Unsound or unsafe business practice" includes:

24 (i) failing to comply with the notice requirements of § 14-119 of this  
 25 subtitle;

26 (ii) willfully hindering an examination of a nonprofit health service  
 27 plan or its affiliates or subsidiaries; and

28 (iii) failure of a director to attend at least 65% of the meetings of the  
 29 board during a period of 12 consecutive months.

30 (b) (1) If the Commissioner believes that an officer or director of a nonprofit  
 31 health service plan has engaged in an unsound or unsafe business practice, the  
 32 Commissioner shall send a warning to that individual.

33 (2) The Commissioner shall send a copy of the warning:

1 (i) by certified mail, return receipt requested, bearing a postmark  
2 from the United States Postal Service, to each director of the nonprofit health service  
3 plan; and

4 (ii) if the nonprofit health service plan is a corporation incorporated  
5 in a state other than this State, to the insurance commissioner of the state in which the  
6 corporation is incorporated.

7 (c) (1) If the nonprofit health service plan is incorporated in this State, the  
8 Commissioner may remove the officer or director if the Commissioner determines after  
9 a hearing that the unsound or unsafe business practice continued after the warning.

10 (2) A copy of the removal order shall be served on the individual removed  
11 and each director of the nonprofit health service plan.

12 (3) The individual removed is entitled to a hearing under Title 2 of this  
13 article.

14 (4) Any person aggrieved by a final decision of the Commissioner under  
15 this section may appeal the decision under § 2-215 of this article.

16 (F) (1) IF THE ATTORNEY GENERAL HAS REASON TO BELIEVE THAT A  
17 NONPROFIT HEALTH SERVICE PLAN IS ENGAGING IN AN UNSOUND OR UNSAFE  
18 BUSINESS PRACTICE, THE ATTORNEY GENERAL SHALL NOTIFY THE COMMISSIONER.

19 (2) IF THE COMMISSIONER FAILS TO TAKE ACTION UNDER THIS  
20 SECTION WITHIN 60 DAYS AFTER NOTIFICATION BY THE ATTORNEY GENERAL, THE  
21 ATTORNEY GENERAL MAY:

22 (I) INVESTIGATE THE UNSOUND OR UNSAFE BUSINESS PRACTICE;  
23 AND

24 (II) INITIATE AN ACTION IN CIRCUIT COURT FOR APPROPRIATE  
25 RELIEF TO REMEDY THE UNSOUND OR UNSAFE BUSINESS PRACTICE, INCLUDING  
26 THE REMOVAL OF AN OFFICER OR DIRECTOR OF THE NONPROFIT HEALTH SERVICE  
27 PLAN.

28 (3) IN THE COURSE OF ANY INVESTIGATION CONDUCTED BY THE  
29 ATTORNEY GENERAL, THE ATTORNEY GENERAL MAY:

30 (I) SUBPOENA WITNESSES;

31 (II) ADMINISTER OATHS;

32 (III) EXAMINE AN INDIVIDUAL UNDER OATH;

33 (IV) COMPEL PRODUCTION OF RECORDS, BOOKS, PAPERS,  
34 CONTRACTS, AND OTHER DOCUMENTS; AND

35 (V) OBTAIN ALL NECESSARY ASSISTANCE FROM THE  
36 ADMINISTRATION.

1 14-126.

2 (a) (1) A corporation subject to this subtitle may not amend its certificate of  
3 incorporation, bylaws, or the terms and provisions of contracts issued or proposed to be  
4 issued to subscribers to the plan until the proposed amendments have been submitted  
5 to and approved by the Commissioner and the applicable fees required by § 2-112 of  
6 this article have been paid.

7 (2) A corporation subject to this subtitle may not change the table of rates  
8 charged or proposed to be charged to subscribers for a form of contract issued or to be  
9 issued for health care services until the proposed change has been submitted to and  
10 approved by the Commissioner.

11 (3) THE COMMISSIONER SHALL APPROVE AN AMENDMENT TO THE  
12 ARTICLES OF INCORPORATION OR BYLAWS UNDER PARAGRAPH (1) OF THIS  
13 SUBSECTION UNLESS THE COMMISSIONER DETERMINES THE AMENDMENT IS  
14 CONTRARY TO THE PUBLIC INTEREST.

15 14-133.

16 (c) (1) A nonprofit health service plan shall submit a statement of proposed  
17 action to the Commissioner before the plan may:

18 (i) create, acquire, or invest in an affiliate or subsidiary in order to  
19 control the affiliate or subsidiary;

20 (ii) alter the structure, organization, purpose, or ownership of the  
21 plan or an affiliate or subsidiary of the corporation;

22 (iii) make an investment exceeding \$500,000; or

23 (iv) make an investment in an affiliate or subsidiary.

24 (2) The nonprofit health service plan shall file the statement of proposed  
25 action required under this subsection at least 60 days before the effective date of the  
26 proposed action.

27 (3) The nonprofit health service plan may not engage in a proposed action  
28 described under paragraph (1)(i) through (iii) of this subsection unless the  
29 Commissioner approves the action in writing.

30 (4) The Commissioner shall either approve or disapprove the proposed  
31 action within 60 days after the Commissioner receives the statement of proposed  
32 action.

33 (5) THE COMMISSIONER SHALL APPROVE A STATEMENT OF PROPOSED  
34 ACTION UNDER THIS SECTION UNLESS THE COMMISSIONER DETERMINES THE  
35 PROPOSED ACTION IS CONTRARY TO THE PUBLIC INTEREST.

1 14-139.

2 (a) An officer, director, or employee of a corporation operating under this  
3 subtitle may not:

4 (1) willfully violate a provision of this article or a regulation adopted  
5 under this article;

6 (2) willfully misrepresent or conceal a material fact in a statement,  
7 report, record, or communication submitted to the Commissioner;

8 (3) willfully misrepresent a material fact to the board of directors;

9 (4) misappropriate or fail to account properly for money that belongs to  
10 the corporation, an insurer, insurance producer, subscriber, or certificate holder;

11 (5) engage in fraudulent or dishonest practices in connection with the  
12 provision or administration of a health service plan;

13 (6) willfully fail to produce records or allow an examination under §  
14 14-125 of this subtitle; or

15 (7) willfully fail to comply with a lawful order of the Commissioner.

16 (b) An officer, director, or trustee of a corporation operating under this subtitle  
17 may not receive any immediate or future remuneration as the result of an acquisition  
18 or proposed acquisition, as defined under § 6.5-101 of the State Government Article,  
19 except in the form of compensation paid for continued employment with the company  
20 or acquiring entity.

21 (C) A DIRECTOR, TRUSTEE, OFFICER, EXECUTIVE, OR EMPLOYEE OF A  
22 CORPORATION OPERATING UNDER THIS SUBTITLE MAY ONLY APPROVE OR RECEIVE  
23 FROM THE ASSETS OF THE CORPORATION FAIR AND REASONABLE COMPENSATION  
24 IN THE FORM OF SALARY, BONUSES, OR PERQUISITES FOR WORK ACTUALLY  
25 PERFORMED FOR THE BENEFIT OF THE CORPORATION.

26 (D) (1) THE COMPENSATION COMMITTEE OF THE BOARD SHALL:

27 (I) IDENTIFY NONPROFIT HEALTH SERVICE PLANS IN THE UNITED  
28 STATES THAT ARE SIMILAR IN SIZE AND SCOPE TO THE NONPROFIT HEALTH  
29 SERVICE PLAN MANAGED BY THE BOARD; AND

30 (II) DEVELOP PROPOSED GUIDELINES, FOR APPROVAL BY THE  
31 BOARD, FOR COMPENSATION, INCLUDING SALARY, BONUSES, AND PERQUISITES, OF  
32 ALL OFFICERS AND EXECUTIVES THAT IS REASONABLE IN COMPARISON TO  
33 COMPENSATION FOR OFFICERS AND EXECUTIVES OF SIMILAR NONPROFIT HEALTH  
34 SERVICE PLANS.

1           (2)     ON OR BEFORE JUNE 1, 2004, THE BOARD SHALL SUBMIT THE  
2 PROPOSED GUIDELINES DEVELOPED UNDER PARAGRAPH (1)(II) OF THIS  
3 SUBSECTION TO THE COMMISSIONER FOR REVIEW AND APPROVAL.

4           (3)     (1)     THE COMMISSIONER SHALL REVIEW THE PROPOSED  
5 GUIDELINES AND, WITHIN 60 DAYS, APPROVE OR DISAPPROVE THE PROPOSED  
6 GUIDELINES.

7                     (II)     FAILURE OF THE COMMISSIONER TO ACT ON THE PROPOSED  
8 GUIDELINES WITHIN 60 DAYS SHALL CONSTITUTE APPROVAL.

9           (4)     IF THE COMMISSIONER DISAPPROVES THE PROPOSED GUIDELINES,  
10 THE BOARD SHALL REVISE AND SUBMIT NEW PROPOSED GUIDELINES THAT MEET  
11 THE COMMISSIONER'S APPROVAL.

12           (5)     THE BOARD SHALL REVIEW THE PROPOSED GUIDELINES AT LEAST  
13 ANNUALLY AND, IF THE BOARD FINDS THAT CHANGES ARE NEEDED, THE BOARD  
14 SHALL SUBMIT THE CHANGES TO THE COMMISSIONER IN ACCORDANCE WITH  
15 PARAGRAPHS (1) THROUGH (3) OF THIS SUBSECTION.

16           (6)     THE BOARD SHALL:

17                     (1)     PROVIDE A COPY OF THE APPROVED GUIDELINES:

18                             1.     TO EACH OFFICER AND EXECUTIVE OF THE NONPROFIT  
19 HEALTH SERVICE PLAN; AND

20                             2.     TO EACH CANDIDATE FOR AN OFFICER OR EXECUTIVE  
21 POSITION WITH THE NONPROFIT HEALTH SERVICE PLAN; AND

22                     (II)     ADHERE TO THE APPROVED GUIDELINES IN COMPENSATING  
23 THE OFFICERS AND EXECUTIVES OF THE NONPROFIT HEALTH SERVICE PLAN.

24           (7)     ON AN ANNUAL BASIS, THE COMMISSIONER SHALL REVIEW THE  
25 COMPENSATION PAID BY THE NONPROFIT HEALTH SERVICE PLAN TO EACH OFFICER  
26 AND EXECUTIVE.

27           (8)     IF THE COMMISSIONER FINDS THAT THE COMPENSATION EXCEEDS  
28 THE AMOUNT AUTHORIZED UNDER THE APPROVED GUIDELINES, THE  
29 COMMISSIONER SHALL ISSUE AN ORDER PROHIBITING PAYMENT OF THE EXCESS  
30 AMOUNT.

31     (E)     THE APPROVAL OR RECEIPT OF REMUNERATION IN VIOLATION OF AN  
32 ORDER ISSUED UNDER SUBSECTION (D)(8) OF THIS SECTION IS A VIOLATION OF §  
33 14-115(C) OF THIS SUBTITLE AND SHALL BE CONSIDERED AN UNSOUND OR UNSAFE  
34 BUSINESS PRACTICE UNDER § 14-116 OF THIS SUBTITLE.

35     [(c)]   (F)     (1)     EXCEPT FOR AN EMPLOYEE UNDER SUBSECTION (C) OF THIS  
36 SECTION, A person that violates subsection (a) OR (C) of this section is subject to a civil  
37 penalty not exceeding [\$5,000] \$10,000 for each violation.

1                   (2)     Instead of or in addition to imposing a civil penalty, the  
2 Commissioner may require the violator to make restitution to any person that has  
3 suffered financial injury as a result of the violation.

4     ~~[(d)]~~     (G)     In determining the amount of financial penalty to be imposed, the  
5 Commissioner shall consider:

6                   (1)     the seriousness of the violation;

7                   (2)     the good faith of the violator;

8                   (3)     the violator's history of previous violations;

9                   (4)     the deleterious effect of the violation on the public and the nonprofit  
10 health service industry; and

11                  (5)     the assets of the violator.

12     ~~[(e)]~~     (H)     (1)     Before assessing a civil penalty OR RESTITUTION, the  
13 Commissioner shall serve by certified mail, return receipt requested, on the person to  
14 be charged a notice that contains:

15                             (i)     the specifications of the charge; and

16                             (ii)     the time and place of a hearing to be held on the charges.

17                  (2)     The Commissioner shall hold a hearing on the charges at least 20  
18 days after the date of mailing the notice.

19                  (3)     The Commissioner or designee of the Commissioner shall conduct a  
20 hearing on the charges in accordance with Title 2, Subtitle 2 of this article.

21                  (4)     Subject to Title 2, Subtitle 2 of this article, an appeal may be taken  
22 from a final order of the Commissioner to the Circuit Court for Baltimore City.

23     ~~[(f)]~~     (I)     In addition to any other penalty or remedy under this section, a person  
24 that is found to have gained financially from a violation of a provision of this article or  
25 a regulation adopted by the Commissioner shall forfeit the gain.

26     ~~[(g)]~~     (J)     This section does not prevent a person damaged by a director, officer,  
27 manager, employee, or agent of a corporation subject to this subtitle from bringing a  
28 separate action in a court of competent jurisdiction.

29 14-504.

30     (a)     (1)     There is a Maryland Health Insurance Plan Fund.

31                  (2)     The Fund is a special nonlapsing fund that is not subject to § 7-302 of  
32 the State Finance and Procurement Article.



Article - State Government

2 2-10A-08.

3 (A) THERE IS A JOINT NONPROFIT HEALTH SERVICE PLAN OVERSIGHT  
4 COMMITTEE.

5 (B) (1) THE COMMITTEE CONSISTS OF 17 MEMBERS.

6 (2) OF THE 17 MEMBERS:

7 (I) 1. TWO SHALL BE MEMBERS OF THE SENATE APPOINTED BY  
8 THE PRESIDENT OF THE SENATE; AND

9 2. TWO SHALL BE MEMBERS OF THE HOUSE OF DELEGATES  
10 APPOINTED BY THE SPEAKER OF THE HOUSE; AND

11 (II) 13 SHALL BE APPOINTED JOINTLY BY THE PRESIDENT OF THE  
12 SENATE AND THE SPEAKER OF THE HOUSE OF DELEGATES AS FOLLOWS:

13 1. ONE SHALL BE THE OWNER OF A BUSINESS DOMICILED IN  
14 THE STATE THAT EMPLOYS MORE THAN 50 PEOPLE;

15 2. ONE SHALL BE THE OWNER OF A BUSINESS DOMICILED IN  
16 THE STATE THAT EMPLOYS TWO TO 50 PEOPLE;

17 3. ONE SHALL REPRESENT A MARYLAND LABOR  
18 ORGANIZATION;

19 4. ONE SHALL HAVE EXPERIENCE IN THE ADMINISTRATION  
20 AND OPERATION OF A NONPROFIT BUSINESS DOMICILED IN THE STATE;

21 5. ONE SHALL REPRESENT THE STATE EMPLOYEE HEALTH  
22 BENEFIT PLAN;

23 6. ONE SHALL REPRESENT A NONPROFIT HEALTH CARE  
24 ADVOCACY ASSOCIATION ORGANIZED IN THE STATE;

25 7. ONE SHALL REPRESENT THE MEDICAL AND CHIRURGICAL  
26 FACULTY OF MARYLAND;

27 8. ONE SHALL REPRESENT THE MARYLAND HOSPITAL  
28 ASSOCIATION;

29 9. ONE SHALL REPRESENT THE MIDATLANTIC ASSOCIATION  
30 OF COMMUNITY HEALTH CENTERS;

31 10. ONE SHALL BE A THIRD PARTY ADMINISTRATOR;

32 11. ONE SHALL BE AN INSURANCE PRODUCER; AND



1           (9)     CONTINUE SUBSIDIZATION OF THE SENIOR PRESCRIPTION DRUG  
2 PROGRAM ESTABLISHED UNDER TITLE 14, SUBTITLE 5, PART II OF THE INSURANCE  
3 ARTICLE.

4           (G)    (1)     IN ACCORDANCE WITH § 2-1246 OF THIS TITLE, THE COMMITTEE  
5 SHALL SUBMIT AN ANNUAL REPORT TO THE GENERAL ASSEMBLY ON OR BEFORE  
6 DECEMBER 1 OF EACH YEAR.

7           (2)     THE REPORT SHALL INCLUDE THE FINDINGS AND  
8 RECOMMENDATIONS OF THE COMMITTEE WITH REGARD TO THE EXAMINATION AND  
9 EVALUATION CARRIED OUT UNDER SUBSECTION (F) OF THIS SECTION.

10        SECTION 3. AND BE IT FURTHER ENACTED, That, pursuant to § 6.5-203(h)  
11 of the State Government Article, as enacted by Section 1 of this Act, the General  
12 Assembly ratifies the determination of the Maryland Insurance Commissioner and  
13 finds that the conversion of CareFirst to a for profit entity is not in the public interest,  
14 and declares that it is in the interest of all Marylanders to protect and preserve  
15 CareFirst in its nonprofit form.

16        SECTION 4. AND BE IT FURTHER ENACTED, That:

17        (a)     Notwithstanding the provisions of § 14-115(d)(2) and (4) of the Insurance  
18 Article, as enacted by Section 1 of this Act, ten board members representing a  
19 corporation that is organized under the laws of the State and that is subject to the  
20 provisions of § 14-115(d) of the Insurance Article, as enacted by Section 1 of this Act,  
21 shall be removed from the board of directors and replaced as early as practicable, but  
22 no later than December 1, 2003, as provided in subsection (b) of this section.

23        (b)    (1)     The ten members removed under subsection (a) of this section shall be  
24 replaced by a nominating committee appointed by the Governor, President of the  
25 Senate of Maryland, and Speaker of the House of Delegates.

26        (2)     The nominating committee shall be appointed on or before June 1,  
27 2003, and shall consist of nine members, of whom:

28           (i)     three, including one consumer member and no more than one  
29 health care provider, are appointed by the Governor;

30           (ii)    three, including one consumer member and no more than one  
31 health care provider, are appointed by the President of the Senate; and

32           (iii)   three, including one consumer member and no more than one  
33 health care provider, are appointed by the Speaker of the House.

34        (3)     An individual shall be appointed to the board under paragraph (1) of  
35 this subsection with the approval of a simple majority of the nominating committee.

36        (4)     The individuals appointed under paragraph (3) of this subsection:

37           (i)     shall include two consumer members;

1                   (ii)       to the extent practicable, shall meet the requirements of §  
2 14-115(e)(11) of the Insurance Article, as enacted by Section 1 of this Act; and

3                   (iii)       to the extent practicable, shall have experience in accounting,  
4 information technology, finance, law, large and small businesses, nonprofit businesses,  
5 and organized labor.

6                   (5)       The nominating committee shall determine the order of replacement of  
7 members removed from the board of directors under subsection (a) of this section.

8                   (c)       A member of the nominating committee may not be a candidate for  
9 membership on the board.

10                  (d)       This section does not apply to those members who serve on the board of  
11 directors of a corporation that is subject to the provisions of § 14-115(d) of the  
12 Insurance Article, as enacted by Section 1 of this Act, who represent a corporation that  
13 is not organized under the laws of the State.

14       SECTION 5. AND BE IT FURTHER ENACTED, That:

15                  (a)       Two board members representing a corporation that is organized under the  
16 laws of the State and that is subject to the provisions of § 14-115(d) of the Insurance  
17 Article, as enacted by Section 1 of this Act, shall be removed from the board of directors  
18 and replaced, on or before June 1, 2004, by a nominating committee established under  
19 § 14-115(d)(6)(iv) of the Insurance Article, as enacted by Section 1 of this Act.

20                  (b)       The board members who serve on the board of a corporation subject to the  
21 provisions of § 14-115(d) of the Insurance Article, as enacted by Section 1 of this Act,  
22 and who represent a corporation that is not organized under the laws of the State shall  
23 be removed and replaced on or before March 31, 2006.

24       SECTION 6. AND BE IT FURTHER ENACTED, That, subject to the approval of  
25 the Maryland Insurance Commissioner, a nominating committee established under §  
26 14-115(d)(6)(iv) of the Insurance Article, as enacted by Section 1 of this Act, shall  
27 develop a plan to stagger the terms of the voting members of a board of a corporation  
28 subject to § 14-115(d) of the Insurance Article, as enacted by this Act.

29       SECTION 7. AND BE IT FURTHER ENACTED, That, for a period of 5 years  
30 after the effective date of this Act:

31                  (1)       a person may not file an application for the acquisition of a nonprofit  
32 health service plan subject to the provisions of § 14-115(d) of the Insurance Article, as  
33 enacted by Section 1 of this Act, and a nonprofit health service plan subject to the  
34 provisions of § 14-115(d) of the Insurance Article, as enacted by Section 1 of this Act,  
35 may not be acquired, under Title 6.5 of the State Government Article; and

36                  (2)       the Maryland Insurance Commissioner may not approve an  
37 application for the acquisition of a nonprofit health service plan subject to the  
38 provisions of § 14-115(d) of the Insurance Article, as enacted by Section 1 of this Act.

1 SECTION 8. AND BE IT FURTHER ENACTED, That:

2 (a) The provisions of § 14-139(c) of the Insurance Article, as enacted by Section  
3 1 of this Act, shall apply to a compensation agreement that is in effect on the effective  
4 date of this Act and entered into or revised on or after January 20, 1995 (the date on  
5 which the Maryland Insurance Commissioner disapproved a plan of reorganization  
6 from Blue Cross and Blue Shield of Maryland, Inc. that would have created a new for  
7 profit holding company), including an agreement for termination, severance,  
8 performance bonuses, or supplemental executive retirement benefits, between a  
9 corporation organized under the laws of this State and subject to § 14-115(d) of the  
10 Insurance Article, as enacted by Section 1 of this Act, and an officer, director, trustee,  
11 or employee of the corporation.

12 (b) In applying the provisions of § 14-139(c) of the Insurance Article, as  
13 enacted by Section 1 of this Act, to a compensation agreement under subsection (a) of  
14 this section, the Maryland Insurance Commissioner shall only examine any increase in  
15 compensation that occurred after January 20, 1995.

16 SECTION 9. AND BE IT FURTHER ENACTED, That a member of the board of  
17 directors of a corporation organized under the laws of this State and subject to §  
18 14-115(d) of the Insurance Article, as enacted by Section 1 of this Act, who is a member  
19 of the board of directors on the effective date of this Act is prohibited from serving on  
20 the board of directors of the corporation after removal from the board under the  
21 provisions of Sections 4 and 5 of this Act.

22 SECTION 10. AND BE IT FURTHER ENACTED, That it is the intent of the  
23 General Assembly to encourage a nonprofit health service plan that is subject to §  
24 14-115(d) of the Insurance Article, as enacted by Section 1 of this Act, to participate in  
25 public programs, such as Medicaid and Medicare, when participation is consistent  
26 with the mission of the nonprofit health service plan and does not impair the financial  
27 condition of the nonprofit health service plan.

28 SECTION 11. AND BE IT FURTHER ENACTED, That a nonprofit health  
29 service plan that is subject to § 14-115(d) of the Insurance Article, as enacted by  
30 Section 1 of this Act:

31 (1) shall work with the Maryland Insurance Administration, the  
32 Department of Aging, and other appropriate entities to study, and if feasible and  
33 desirable develop, a State arrangement to offer health insurance coverage to  
34 individuals who are eligible for the federal tax credit under § 35 of the Internal  
35 Revenue Code; and

36 (2) on or before August 1, 2003, in accordance with § 2-1246 of the State  
37 Government Article, shall report to the Senate Finance Committee and the House  
38 Health and Government Operations Committee on the results of its study.

39 SECTION 12. AND BE IT FURTHER ENACTED, That:

40 (a) The Maryland Insurance Commissioner shall:

1 (1) determine whether any conduct identified in MIA No: 2003-02-032  
2 violates the provisions of § 14-116 or § 14-139 of the Insurance Article, as in effect  
3 before the effective date of this Act, or any other provision of the Insurance Article not  
4 identified in MIA No: 2003-02-032;

5 (2) take any action deemed appropriate in light of the determinations  
6 made, if any, under item (1) of this subsection;

7 (3) report, on or before July 1, 2003, on the determinations made, if any,  
8 under item (1) of this subsection to:

9 (i) the board of directors of a nonprofit health service plan subject  
10 to the provisions of § 14-115(d) of the Insurance Article, as enacted by Section 1 of this  
11 Act; and

12 (ii) the Governor, and in accordance with § 2-1246 of the State  
13 Government Article, the General Assembly; and

14 (4) make recommendations regarding whether any changes to Maryland  
15 law need to be made to ensure that the regulatory oversight of nonprofit health service  
16 plans subject to Title 14 of the Insurance Article is sufficient to protect the public  
17 interest, and report those recommendations, on or before July 1, 2003, to:

18 (i) the Governor;

19 (ii) in accordance with § 2-1246 of the State Government Article, the  
20 General Assembly; and

21 (iii) the Office of the Attorney General.

22 (b) The Office of the Attorney General shall:

23 (1) determine whether any conduct identified in MIA No: 2003-02-032  
24 violates any provision of federal or State civil, criminal, or administrative law, other  
25 than those provisions reviewed by the Maryland Insurance Commissioner under  
26 subsection (a)(1) of this section; and

27 (2) report, on or before September 1, 2003, to the Governor, and in  
28 accordance with § 2-1246 of the State Government Article, the General Assembly on  
29 the determinations made, if any, under item (1) of this subsection, and on any changes  
30 to State law that need to be made to ensure that the public interest is protected.

31 SECTION 13. AND BE IT FURTHER ENACTED, That, if any provision of this  
32 Act or the application thereof to any person or circumstance is held invalid for any  
33 reason in a court of competent jurisdiction, the invalidity does not affect other  
34 provisions or any other application of this Act which can be given effect without the  
35 invalid provision or application, and for this purpose the provisions of this Act are  
36 declared severable.

1 SECTION 14. AND BE IT FURTHER ENACTED, That Section 2 of this Act  
2 shall take effect June 1, 2003. It shall remain effective for a period of 2 years and 3  
3 months and, at the end of August 31, 2005, with no further action required by the  
4 General Assembly, Section 2 of this Act shall be abrogated and of no further force and  
5 effect.

6 SECTION 15. AND BE IT FURTHER ENACTED, That this Act is an emergency  
7 measure, is necessary for the immediate preservation of the public health or safety, has  
8 been passed by a yea and nay vote supported by three-fifths of all the members elected  
9 to each of the two Houses of the General Assembly, and, except as provided in Section  
10 14 of this Act, shall take effect from the date it is enacted.